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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2002

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-31553

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**36-4459170** (IRS Employer Identification No.)
30 South Wacker Drive, Chicago, Illinois (Address of Principal Executive Offices)	**60606** (Zip Code)

Registrant's telephone number, including area code: **(312) 930-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title Of Each Class	Name Of Each Exchange On Which Registered
Class A Common Stock, Class A, $0.01 par value (including rights to acquire Series A Junior Participating Preferred Stock pursuant to our rights plan)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Class A common stock, Class A-1, $0.01 par value; Class A common stock, Class A-2, $0.01 par value; Class A common stock, Class A-3, $0.01 par value; Class A common stock, Class A-4, $0.01 par value; Class B common stock, Class B-1, $0.01 par value; Class B common stock, Class B-2, $0.01 par value; Class B common stock, Class B-3, $0.01 par value; and Class B common stock, Class B-4, $0.01 par value (in each case, including rights to acquire Series A Junior Participating Preferred Stock pursuant to our rights plan).

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No o

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of June 28, 2002 was approximately $547 million. The number of shares outstanding of each of the registrant's classes of common stock as of March 10, 2003 was as follows: 5,463,730 shares of Class A common stock, $0.01 par value; 6,998,494 shares of Class A common stock, Class A-1, $0.01 par value; 6,961,187 shares of Class A common stock, Class A-2, $0.01 par value; 6,768,969 shares of Class A common stock, Class A-3, $0.01 par value; 6,406,392 shares of Class A common stock, Class A-4, $0.01 par value; 625 shares of Class B common stock, Class B-1, $0.01 par value; 813 shares of Class B common stock, Class B-2, $0.01 par value; 1,287 shares of Class B common stock, Class B-3, $0.01 par value; and 413 shares of Class B common stock, Class B-4, $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of the Company's Annual Report to Shareholders for the year ended December 31, 2002	Part II

Portions of the Company's Proxy Statement, dated March 10, 2003 Part III

PART I

In this Annual Report on Form 10-K, we refer to Chicago Mercantile Exchange Holdings Inc. as "CME Holdings" and to Chicago Mercantile Exchange Inc. as "CME." The terms "we," "us" and "our" refer to CME Holdings and CME.

From time to time, in written reports and oral statements, we discuss our expectations regarding future performance. For example, these "forward-looking statements" are included in this Annual Report on Form 10-K in "Item 1. Business," among other places. Forward-looking statements are based on currently available competitive, financial and economic data, current expectations, estimates, forecasts and projections about the industries in which we operate and management's beliefs and assumptions. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any forward-looking statements. We want to caution you to not place undue reliance on any forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that might affect our performance are:

- increasing competition by foreign and domestic competitors, including new entrants into our markets;
- our ability to keep pace with rapid technological developments;
- our ability to continue introducing competitive new products and services on a timely, cost-effective basis, including through our electronic trading capabilities;
- our ability to maintain the competitiveness of our existing products and services;
- our ability to efficiently and simultaneously operate both open outcry trading and electronic trade execution facilities;
- our ability to adjust our fixed costs and expenses if our revenues decline;
- changes in domestic and foreign regulations;
- changes in government policy, including interest rate policy and policies relating to common or directed clearing;
- the costs associated with protecting our intellectual property rights and our ability to operate our business without violating the intellectual property rights of others;
- the ability of our joint venture, OneChicago, LLC, to obtain market acceptance of its products and achieve sufficient trading volume to operate profitably;
- the continued availability of financial resources in the amounts and on the terms required to support our future business;
- our ability to realize the benefits or efficiencies we expect from our for-profit initiatives, such as fee increases, volume and member discounts and new access rules to our markets;
- our ability to recover market data fees that may be reduced or eliminated by the growth of electronic trading;
- changes in the level of trading activity, price levels and volatility in the derivatives markets and in underlying fixed income, equity, foreign exchange and commodities markets;
- economic, political and market conditions;

- our ability to accommodate increases in trading volume without failure or degradation of performance of our trading systems;
- our ability to manage the risks associated with our acquisition, investment and alliance strategy;
- industry and customer consolidation;
- decreases in member trading and clearing activity; and
- seasonality of the futures business.

For a detailed discussion of these and other factors that might affect our performance, see the section of this Annual Report on Form 10-K entitled "Item 1. Business—Certain Factors that May Affect Our Business."

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ITEM 1. BUSINESS

General

We are the largest futures exchange in the United States and the second largest exchange in the world for the trading of futures and options on futures, as measured by 2002 annual trading volume. In 2002, our customers traded futures and options on futures contracts with a notional dollar value of $328.6 trillion, making us the world's largest exchange by this measure. We also have the largest futures and options on futures open interest of any exchange in the world. As of December 31, 2002, our open interest record was 24.8 million contracts, set on December 12, 2002.

We bring together buyers and sellers of derivatives products on our open outcry trading floors, on the GLOBEX electronic trading platform and through privately negotiated transactions that we clear. We offer market participants the opportunity to trade futures contracts and options on futures on interest rates, stock indexes, foreign exchange and commodities. Our key products include Eurodollar contracts and contracts based on major U.S. stock indexes, including the S&P 500 and the NASDAQ-100. We also offer contracts for the principal foreign currencies and for a number of commodity products, including cattle, hogs and dairy. We believe several of our key products serve as global financial benchmarks. Our Eurodollar contract provides a benchmark for measuring the relative value of U.S. dollar-denominated, short-term fixed-income securities. Similarly, our S&P 500 Index and NASDAQ-100 Index contracts are closely linked to the benchmark indexes for U.S. equity performance.

Our products provide a means for hedging, speculation and asset allocation relating to the risks associated with interest rate sensitive instruments, equity ownership, changes in the value of foreign currency and changes in the prices of commodity products. Our customer base includes professional traders, financial institutions, institutional and individual investors and major corporations, manufacturers, producers, supranational entities and governments.

We own our clearing house and are able to guarantee, clear and settle every contract traded through our exchange. During 2002, we processed an average of approximately 554,000 clearing transactions per day. We currently have the capacity to clear more than 1.5 million transactions per day. Our systems are scalable and give us the ability to substantially increase our capacity with very little lead time. As of December 31, 2002, we acted as custodian for approximately $27.4 billion in collateral. In 2002, we moved an average of $1.8 billion of settlement funds through our clearing system each day. In addition, 40 exchanges and clearing organizations worldwide have adopted our SPAN risk evaluation system. New York Mercantile Exchange, Inc., or NYMEX, and Euronext N.V. also use CLEARING 21, our state-of-the-art clearing system, although we do not generate material revenue from the adoption of these systems by other exchanges.

We have a history of innovation in our industry. In the 1960s, we introduced the first livestock futures contract that resulted in the physical delivery of live cattle. In 1972, we introduced the world's first financial futures contracts when we launched seven foreign exchange futures contracts. That innovation fundamentally changed the nature and scope of futures markets, transforming them from agricultural hedging mechanisms to hedging and risk management markets for financial instruments and financial risks. We also developed the first cash-settled futures in 1981 with the introduction of Eurodollar futures, which was the world's most actively traded futures contract in 2002. Cash settlement also enabled us to introduce in 1982 the first successful stock index futures contract, the S&P 500 futures. In 1987, we pioneered the concept of global electronic trading of derivatives contracts, and we subsequently launched the GLOBEX platform in 1992. Today, most of our products trade electronically in addition to on our open outcry trading floors. In 1997, we introduced the first of our E-mini stock index products, which are smaller-sized electronically traded versions of our successful benchmark stock index futures contracts.

CME was founded in 1898 as a not-for-profit corporation. In November 2000, we became the first U.S. financial exchange to demutualize and become a shareholder-owned corporation. As a consequence, we have adopted a for-profit approach to our business, including strategic initiatives aimed at optimizing volume, efficiency and liquidity. We posted record trading volume of 558.4 million contracts in 2002, an increase of 35.6% over 2001, which was previously our busiest year. Additionally, in December 2002, we completed our initial public offering, and our Class A common stock began trading on the New York Stock Exchange, making us the first publicly traded financial exchange in the United States.

We devote substantial resources to introducing new products based on new markets or securities. For example, in 2001, we formed OneChicago, our joint venture with Chicago Board Options Exchange, or CBOE, and Chicago Board of Trade, or CBOT, to trade single stock futures and futures on narrow-based stock indexes. OneChicago commenced its trading operations on November 8, 2002. We also entered into an agreement with NYMEX in 2002 to introduce smaller-sized versions of key NYMEX energy futures contracts for trading on our GLOBEX electronic trading platform. The products, based on our successful E-mini stock index contracts, are called e-miNY energy futures and clear at the NYMEX clearing house.

Throughout our history, our members have conducted their trading through our open outcry trading facilities. The roots of our open outcry trading extend to the late 1800s when our predecessor, the Chicago Butter and Egg Board, established official quotations in butter, eggs, poultry and other farm products. Membership gave the right to participate in the markets, in what was to become open

outcry trading, and was expanded over the decades to accommodate new traders in new commodities and financial products. For the year ended December 31, 2002, open outcry represented approximately 63% of our trading volume.

Trading on our open outcry trading floors is conducted exclusively by our members. Our members are individual traders, as well as most of the world's largest banks, brokerages and investment houses. Prior to the introduction of our electronic trading platform, our members traded only on our open outcry trading floors. Today, our members are able to conduct trading on our open outcry trading floors, electronically through the GLOBEX platform and through privately negotiated transactions. Members who broker trades executed on our open outcry trading floors generally do not play a role in facilitating the execution of transactions on behalf of customers on GLOBEX.

Prior to our demutualization, direct access to our markets, whether on our open outcry trading floors or through the GLOBEX platform, was limited to members and those with an exchange permit who met specified qualifications. In connection with our demutualization, we opened access to our markets by allowing unlimited, direct access to the GLOBEX platform for all market participants. Today, any individual or institutional customer guaranteed by a clearing firm is able to obtain direct access to the GLOBEX platform. We have further opened access to our markets by expanding the range of member and non-member customer choices for alternative execution procedures, such as block trading and privately negotiated exchange-for-physical, or EFP, transactions. While our members benefit from market information advantages that may accrue from their proximity to activity on the trading floors, as a result of the increased access to our markets, all market participants now have the ability to view bids and offers in the market. Generally, member customers are charged lower fees than our non-member customers. In 2002, our members were responsible for approximately 78% of our total trading volume.

As a result of our conversion into a for-profit corporation in the fall of 2000, individuals and entities who, at the time, were members and owned trading rights on our exchange became the owners of all our outstanding equity. These individuals and entities continued to own substantially all of our outstanding equity following our reorganization into a holding company structure in December 2001. As of December 31, 2002, owners of trading rights on our exchange owned, of record, approximately 81% of our Class A common stock.

Our principal executive offices are located at 30 South Wacker Drive, Chicago, Illinois 60606, and our telephone number is 312-930-1000.

Competitive Strengths

We have established ourselves as a premier global marketplace for financial risk management. We believe our principal competitive strengths are:

- highly liquid markets;
- global benchmark products;
- diverse portfolio of products and services;
- wholly owned clearing house;
- proven and scalable technology; and
- global reach.

Highly Liquid Markets. The liquidity in our markets is a key factor in attracting and retaining customers. We have the largest futures and options on futures open interest of any exchange in the world. As of December 31, 2002, our open interest record was 24.8 million contracts, set on December 12, 2002. Before 2002, our open interest record was 18.9 million positions set in 2001.

During 2002, we posted record trading volume of 558.4 million contracts, an increase of 35.6% over 2001, making us the most active exchange in the United States and the second most active in the world for the trading of futures and options on futures during that period. By notional value, we are the largest futures exchange in the world, with $328.6 trillion traded in 2002. Our deep and liquid markets tend to attract additional customers, which in turn further enhances our liquidity.

Global Benchmark Products. We believe our key products serve as global benchmarks for valuing and pricing risk. Our Eurodollar contract is increasingly referenced as the global benchmark for measuring the relative value of U.S. dollar-denominated short-term fixed-income securities. Similarly, the S&P 500 and NASDAQ-100 indexes are considered primary tools for benchmarking investment performance against U.S. equity market exposure. Our Eurodollar, S&P 500 and NASDAQ-100 contracts, which are based on these benchmarks, are increasingly recognized by our customers as efficient tools for managing and hedging their interest rate and equity market risks.

Diverse Portfolio of Products and Services. We differentiate ourselves from our competitors by developing and offering to our customers a diverse array of products, as well as a broad range of trade execution and clearing services. We have a long history of developing innovative interest rate, stock index, foreign exchange and commodity products designed to appeal to institutional and individual customers. We offer both open outcry auction trading and electronic order-matching services, and we provide facilities to clear privately negotiated transactions. Our markets provide important risk management tools to our customers, which include leading global and financial institutions around the world. We work closely with our customers to create markets and products that meet their needs. These relationships help us to anticipate and lead industry changes.

Wholly Owned Clearing House. We own our clearing house, which guarantees, clears and settles every contract traded through our exchange. During 2002, we processed an average of approximately 554,000 clearing transactions per day. We currently have the capacity to clear more than 1.5 million transactions per day, and our scalable systems give us the ability to further increase our capacity substantially, with very little lead time. As of December 31, 2002, we acted as custodian for approximately $27.4 billion in collateral and, in 2002, moved an average of $1.8 billion of settlement funds through our clearing system each day. We believe our performance guarantee is a major attraction of our markets, particularly compared to the over-the-counter, or OTC, markets, because it substantially reduces counterparty risk. Our clearing system permits more efficient use of capital for our customers by allowing netting of long and short positions in a single type of contract and providing risk offset and cross-margining arrangements with several other leading clearing houses. In addition, ownership of our clearing house enables us to more quickly and efficiently bring new products to market through coordination of our clearing functions with our product development, technology, market regulation, other risk management and other activities. Our current capacity ensures that we are able to service peak volumes, introduce new products with high volume potential and provide clearing services to other exchanges in the future.

Proven and Scalable Technology. We believe our ability to use technology effectively has been a key factor in the successful development of our business. As a result of significant investments in our technology asset base, we possess fast, reliable and fully integrated trading and clearing systems. Our highly scalable systems are designed to accommodate additional products with relatively limited modifications and low incremental costs. The core components of our system infrastructure for trading, clearing and risk management are becoming widely adopted throughout the futures industry, resulting in common interfaces and efficiencies for intermediaries and customers. For example, our SPAN risk evaluation system, which is used to determine the appropriate performance bond requirements for trading portfolios, has been adopted by 40 exchanges and clearing organizations worldwide. In addition, CLEARING 21, our state-of-the-art clearing system, is being used by NYMEX and Euronext N.V.

Global Reach. Globalization of financial markets is expanding the customer base for futures products beyond traditional boundaries. Our electronic trading services, which are available approximately 23 hours a day and five days per week, position us to take advantage of this development. We have established strategic relationships with other exchanges and clearing houses around the world to enable our customers to gain further capital and execution efficiencies. Currently, we have or are developing strategic relationships with the leading exchanges and clearing houses in Singapore, England, France, Spain, Japan, Korea and China. These relationships are intended to extend the market reach of our global derivatives business. We received $5.4 million in clearing and transaction fees from these relationships during the year ended December 31, 2002.

Growth Strategy

Globalization, deregulation and advances in technology offer significant opportunities for expanding futures markets, and exchange markets generally. We intend to increase our trading volumes, revenues and profitability by capitalizing on these opportunities through implementation of the following four strategies:

- expand our current core business;
- add new products;
- provide transaction processing services to third parties; and
- pursue select alliances and acquisitions.

Expand Our Current Core Business. We intend to advance our position as a leader in the futures industry by continually expanding customer access to our markets and services, offering additional trade execution choices and enhancing our market data and information products.

- *Expand Customer Access.* We continue to expand our customer base and trading volume by broadening the access, order routing, trading and clearing solutions we offer to existing and prospective customers. We were the first U.S. exchange to allow all customers to view the book of prices, where they can see the five best bids and offers in the central limit order book and directly execute transactions in our electronically traded products. This expanded access further increases the transparency of our markets by giving our customers valuable trading information. We provide our customers with flexibility to access our markets in the most cost-effective manner for them. Our customers can use their own proprietary trading software or third party software connected to our trading environment through a suite of application programming interfaces, or APIs, that we have developed. We also provide front-end trading terminal software solutions for a fee, including a cost-efficient Web-based virtual private network solution for our lower volume customers, which we call GLOBEX Trader-Internet. In addition to our standard marketing activities, we are actively seeking to increase the number of independent software vendors that offer interfaces to our systems. Increasing the number of these vendor relationships enables us to access a broader network of customers.

- *Expand Electronic and Other Trade Execution Choices.* Our strategy is to offer our customers a broad range of trade execution choices, including increased electronic trading, enhanced facilities for privately negotiated transactions and new links with exchanges around the world. We believe offering multiple execution alternatives will enable us to attract new customers and increase our overall volume. We offer daytime electronic trading in most of our major product lines. We traded approximately 198 million contracts electronically in 2002, an increase of 141.7% over the total electronic trading volume in 2001 of 81.9 million contracts. We introduced daytime electronic trading in our Eurodollar contracts on a limited basis during 1999. We are developing and have begun implementing new electronic functionality to accommodate complex trading strategies that are utilized in trading Eurodollar contracts to facilitate the expanded use of this

market. In 2003, we launched our Eagle (Electronic Arbitrage GLOBEX Liquidity Enhancer) Project, which enables customers to replicate electronically some of the trading strategies used by open outcry Eurodollar traders. In addition, we intend to capture further volume through enhancements to our privately negotiated block trading facilities in our Eurodollar, S&P 500 and NASDAQ-100 futures contracts and by allowing block trading of other contracts. Our block trading facilities enable institutional customers to trade large positions efficiently and economically and gain the benefits of our clearing house guarantee and capital efficiencies. Currently, block transactions are typically negotiated telephonically and prices are reported, also telephonically, within five minutes of execution, or 15 minutes in the case of Eurodollar futures and options transactions. The parties to these transactions then transmit the transactions to our clearing house to be cleared and settled. Some users have informed us that the block trading reporting process can be cumbersome. The enhancements we intend to make will allow users to input trade details and prices in a single electronic transmission. We believe this will streamline the trade reporting process, thereby allowing for greater efficiencies and increased trading.

- *Enhance Our Market Data and Information Products.* Our markets and trading activities generate valuable information regarding prices and trading activity in our products. We intend to leverage the value of our market data and information capabilities by developing enhancements to our existing information products and creating new products. Revenues from the sale of our market data were $48.7 million and $48.3 million during 2002 and 2001, respectively. We sell our market data, which includes information about bids, offers and trade size, to resellers of our market data, as well as banks, broker-dealers, pension funds, investment companies, mutual funds, insurance companies, other financial services companies and individual investors. We believe we can enhance our market data and information product offerings by packaging the basic data we have traditionally offered with advanced, analytical data and information, and developing partnerships with other content and service providers to create information products with value-added services.

Add New Products. We develop new products and product line extensions based on research and development in collaboration with our customers and financial services firms. We have created modified versions of some of our existing products in order to attract new types of customers. For example, in 1997 and 1999, respectively, we introduced E-mini versions of our larger open outcry-traded S&P 500 and NASDAQ-100 futures contracts. By creating smaller-sized products and offering electronic trading services in them, we have successfully expanded our customer base and overall volume. We introduced E-mini Russell 2000 futures contracts in October 2001, and in January 2002, we initiated trading in E-mini S&P MidCap 400 futures contracts, another smaller scale version of one of our larger contracts that offers exposure to small- and medium-sized capitalization company stocks. In July 2002, we launched TRAKRS, a private label index product developed with Merrill Lynch & Co., Inc. TRAKRS, which stands for Total Return Asset Contracts, are a new series of non-traditional futures contracts licensed exclusively to us for North America, and the first broad-based index product traded on a U.S. futures exchange that can be sold by securities brokers. TRAKRS are designed to enable customers to track an index of stocks, bonds, currencies or other financial instruments. Long-Short Technology TRAKRS were the first in this new product line. We subsequently introduced in 2002 Select 50 TRAKRS contracts and LMC TRAKRS, which identify value and growth stocks of lower market capitalization companies. TRAKRS differ from traditional futures contracts in that most non-institutional customers who purchase these contracts are required to post 100% of the TRAKRS market value at the time of the purchase. As a result, these customers will not be subject to margin calls or any requirement to make any additional payments throughout the life of their TRAKRS positions.

In March 2003, we launched futures and options on futures based on a new dollar index, the CME$INDEX, a geometric index of seven foreign currencies that is weighted to reflect the relative

competitiveness of U.S. goods in foreign markets. The CME$INDEX provides investors with a new instrument for currency speculation and risk management. The seven currencies included in the CME$INDEX index are the Euro, Japanese yen, British pound, Swiss franc, Australian dollar, Canadian dollar and Swedish krona.

In September 2002, we began to introduce futures contracts based on industry sectors within the S&P 500 Index. We also intend to continue expanding our derivatives product lines by introducing contracts based on new markets or securities, such as single stock futures and futures on narrow-based stock indexes. We believe these products offer significant opportunities to generate new business and capture business from other markets. We believe our joint venture, OneChicago, with CBOE and CBOT to trade single stock futures and futures on narrow-based stock indexes will position us to take advantage of opportunities in this market. OneChicago initiated trading of 21 single stock futures on November 8, 2002, and, as of December 31, 2002, had introduced 83 single stock and exchange-traded fund futures. OneChicago has announced plans to offer narrow-based stock index contracts in the first half of 2003. In addition, we intend to continue working with emerging cash market trading platforms to jointly develop innovative futures products.

Provide Transaction Processing and Other Business Services to Third Parties. We intend to leverage our existing capacity, scalable technology and business processes to provide a broad range of services to other exchanges, clearing organizations and e-marketplaces. We intend to offer services, including clearing and settlement processing and risk management, market structuring, product structuring and trade execution platforms. We believe we can differentiate ourselves from our competitors by offering some or all of these services on a cost-effective basis in combination with the potential to access our broad distribution and customer base and to access our experienced liquidity providers. Users of our clearing services also have the potential to gain substantial capital and collateral efficiencies for their clearing firms.

Pursue Select Alliances and Acquisitions. We plan to supplement our internal growth through the formation of joint ventures or alliances and select acquisitions of businesses or technologies. We will seek alliances and acquisitions that help us to enter new markets, provide services that we currently do not offer, open access to our markets or advance our technology. For example, in 2001, we entered into an agreement with NYMEX to introduce smaller-sized versions of key NYMEX energy futures contracts for trading on our GLOBEX electronic trading platform. The products, based on our successful E-mini stock index contracts, are called e-miNY energy futures and clear at the NYMEX clearing house. On June 17, 2002, e-miNY crude oil and natural gas futures contracts began trading. We believe we can achieve significant potential economies of scale through the consolidation of exchange transaction processing services, either directly through acquisition, or indirectly through the provision of these services to others.

Products

Our broad range of products includes futures contracts and options on futures contracts based on interest rates, stock indexes, foreign exchange and commodities. Our products are traded through our open outcry auction markets, through the GLOBEX electronic trading platform or in privately negotiated transactions. For the year ended December 31, 2002, we derived $356.4 million, or 78.6% of our net revenues, from fees associated with trading and clearing products on or through our exchange. These fees include per contract charges for trade execution, clearing and GLOBEX fees. Fees are charged at various rates based on the product traded, the method of trade and the exchange trading privileges of the customer making the trade. Generally, members are charged lower fees than non-members. Our customers benefit from volume discounts and limits on fees as part of our effort to encourage increased liquidity in our markets. Our markets also generate valuable data and information regarding pricing and trading activity in our markets. Revenues from market data products totaled $48.7 million, or 10.8% of our net revenues, in 2002.

We identify new products by monitoring economic trends and their impact on the risk management and speculative needs of our existing and prospective customers. Historically, we have successfully introduced a variety of new futures products. We pioneered the trading of foreign exchange futures in 1972 and Eurodollar futures, the first cash-settled futures contracts listed for trading, in 1981. In 1982, we were the first to introduce a successful stock index futures contract, the S&P 500 Index futures contract, and in 1996 we introduced the NASDAQ-100 Index futures contract. We believe the S&P 500 Index and the NASDAQ-100 Index are the global benchmarks for managing exposure to the U.S. stock markets, and our futures contracts based on them are among the most successful products in our industry. The smaller, electronically traded versions of these contracts, the E-mini S&P 500 Index futures and the E-mini NASDAQ-100 futures, were introduced in 1997 and 1999, respectively, and are the fastest growing futures contracts in the history of our exchange.

The following table shows the total notional value and average daily volume of contracts traded in our four principal product groups for the years ended December 31, 2002, 2001 and 2000.

Average Daily

Product Sector	Principal Underlying Instruments	Total Notional Value 2002	2001	2000	Contract Volume 2002	2001	2000
			(in billions)			(in thousands)	
Interest Rate	Eurodollar, LIBOR, Euroyen	$ 311,200	$ 279,100	$ 141,000	1,227	1,092	551
Equity	S&P 500, NASDAQ-100, S&P MidCap 400, S&P 500/BARRA Growth and Value Indexes, Nikkei Stock Average, Russell 2000	$ 14,800	$ 12,600	$ 12,000	863	425	258
Foreign Exchange	Euro, Japanese yen, British pound, Swiss franc, Canadian dollar	$ 2,400	$ 2,000	$ 1,800	96	89	77
Commodity	Cattle, hogs, pork bellies, lumber, dairy	$ 200	$ 200	$ 200	30	34	31

Interest Rate Products. Our interest rate products include our global benchmark Eurodollar futures contracts. Eurodollars are U.S. dollar bank deposits outside the United States. Eurodollar futures contracts are a short-term interest rate product and constitute one of the most successful products in our industry and the most actively traded futures contract in the world during 2002. Open interest on Eurodollar futures and options on futures contracts traded on our exchange was nearly 10.3 million contracts on December 31, 2002, representing a notional value of nearly $10.3 trillion. We also trade contracts based on other short-term interest rates, such as one-month LIBOR, which stands for the London Interbank Offered Rate, and Euroyen. Interest rate products represented 55.3% of our trading volume during 2002, an average of approximately 1.2 million contracts per day.

The growth of our Eurodollar futures market has been driven by the general acceptance of the U.S. dollar as the principal reserve currency for financial institutions throughout the world. As a result, Eurodollar deposits have significance in the international capital markets. Participants in our Eurodollar futures market are generally major domestic and international banks and other financial institutions that face interest rate risks from their lending and borrowing activities, their activities as dealers in OTC interest rate swaps and structured derivatives products and their proprietary trading activities. Many of these participants use our Eurodollar and other interest rate contracts to hedge or arbitrage their money market swaps or convert their interest rate exposure from a fixed rate to a floating rate or a floating rate to a fixed rate. Asset managers also use our interest rate products to lengthen the effective maturity of short-term investment assets by buying futures contracts, or shorten the effective maturity by selling futures. Our contracts are an attractive alternative when physical restructuring of a portfolio is not possible or when futures transaction costs are lower than the cash market transaction costs. In 1999, we initiated simultaneous, side-by-side electronic trading in our Eurodollar contracts. Trading in our Eurodollar contracts often involves complex trading strategies that

we believe cannot be fully accommodated by existing electronic trading platforms. Accordingly, electronic trading in our Eurodollar contracts has achieved only limited market acceptance. We are developing and have begun implementing new electronic functionality to accommodate trading strategies required for electronic trading of Eurodollar contracts. In 2003, we launched our Eagle (Electronic Arbitrage GLOBEX Liquidity Enhancer) Project, which enables customers to execute trades electronically in the first eight quarterly expirations and 22 corresponding calendar spreads in Eurodollar futures. We intend to introduce more functionality that will accommodate other complex trading strategies electronically. The new technology closely replicates Eurodollar trading conventions employed in open outcry and is designed to help maintain our leadership in Eurodollar futures.

Our interest rate product trading volume has grown significantly over the last five years, with total 2002 trading volume up 13% over 2001. The increase is due primarily to the volatility of short-term interest rates, monetary policy of the U.S. Federal Reserve Board and a decline in the issuance of U.S. Treasury securities. With less availability of U.S. Treasury securities, swap dealers, who represent a significant group of our customers, have increasingly turned to our Eurodollar contract as a benchmark for valuing fixed-income obligations and as a tool for managing dollar-denominated interest rate exposure. However, we believe availability of U.S. Treasury securities may increase in the future as a result of the U.S. government's need to finance budget deficits.

We intend to increase our revenues from our interest rate product sector by increasing trading volume, optimizing pricing of existing products and introducing new products. We have been active in adopting new policies and practices that are closely aligned with customer demand and designed to promote enhanced market penetration. We also increased institutional trading of Eurodollar futures by expanding privately negotiated transaction alternatives. Privately negotiated transactions include block trades, EFP transactions and exchange basis facility, or EBF, transactions and are executed apart from the public auction market. See the section of this Annual Report on Form 10-K entitled "Item 1. Business—Execution" for a description of types of trading alternatives. These trading opportunities are particularly attractive to large-scale institutional traders. We have recently extended EBF trading to all Eurodollar futures contracts. Block trading was originally introduced in late 2000 in a limited number of Eurodollar futures contracts. As of July 2001, block trading has been extended to all Eurodollar futures contracts using a revised and more competitive fee schedule.

Equity Products. We have been a leader in stock index futures since we began offering these products in 1982 and remain the largest exchange in the world for trading stock index futures. Stock index futures products permit investors to obtain exposure, for hedging or speculative purposes, to a change in the weighting of one or more equity market sectors more efficiently than by buying or selling the underlying securities. We offer trading in futures contracts based upon the S&P 500 and NASDAQ-100 stock indexes, as well as other small-, medium- and large-capitalization indexes based on both domestic and foreign equity markets. As of December 31, 2002, we had approximately a 95% market share in all U.S. listed stock index futures, based on the number of contracts traded.

Our total trading volume for stock index products rose 104% in 2002, to 217.5 million contracts, from 106.7 million contracts in 2001. Trading in stock index futures products represented 39.0% of our total trading volume during 2002, an average of more than 863,000 contracts per day. In 2002, 94% of our stock index product trading volume was based on the S&P 500 Index and the NASDAQ-100 Index. The total notional value of S&P 500 futures and options on futures contracts traded on our exchange was approximately $12.6 trillion during 2002, compared to the approximately $10.3 trillion value of stock traded on the New York Stock Exchange. In addition, the notional value of our stock index futures contracts is significantly larger than the comparable exchange-traded fund, which is a basket of securities designed to track an index but trade on a securities exchange or electronic communications network like a single stock. In 2002, the total notional value of our S&P 500 futures contracts was more than $11.3 trillion, compared with approximately $0.8 trillion for S&P 500 Depositary Receipts, or SPDR's. In 2002, the total notional value of our NASDAQ-100 futures contracts was approximately

$1.8 trillion, compared to approximately $0.6 trillion for the QQQs, which is the NASDAQ 100 Index tracking stock.

Standard & Poor's designed and maintains the S&P 500 Index to be a proxy for a diversified equity portfolio representing a broad cross-section of the U.S. equity markets. The index is based on the stock prices of 500 large-capitalization companies. We have an exclusive license with Standard & Poor's Corporation until 2008. The NASDAQ-100 Index is based on the 100 largest non-financial stocks listed on the NASDAQ National Market. We have a license with NASDAQ that allows us to offer the NASDAQ-100 Index contract exclusively, other than as to NASDAQ and some of its affiliates, until 2006. For a more detailed discussion of these license agreements, see the section of this Annual Report on Form 10-K entitled "Item 1. Business—Licensing Agreements." Our standard S&P and NASDAQ products are traded through our open outcry facilities during regular trading hours and on GLOBEX after the close of open outcry trading.

We also offer futures and, in some cases, options on futures, on the S&P MidCap 400, the S&P SmallCap 600, the S&P/BARRA Growth and Value Indexes, which are based on data compiled by S&P and BARRA, Inc., the Nikkei Stock Average, the S&P/TOPIX 150, the Russell 2000 Stock Price Index and the FORTUNE e-50 Index. In July 2002, we launched TRAKRS, a private label index product developed with Merrill Lynch & Co., Inc. TRAKRS are a new series of non-traditional futures contracts licensed exclusively to us for North America, and the first broad-based index product traded on a U.S. futures exchange that can be sold by securities brokers. TRAKRS are designed to enable customers to track an index of stocks, bonds, currencies or other financial instruments. Long-Short Technology TRAKRS were the first in this new product line. We subsequently introduced Select 50 TRAKRS and LMC TRAKRS in 2002. TRAKRS differ from traditional futures contracts in that most non-institutional customers who purchase these contracts are required to post 100% of the TRAKRS market value at the time of purchase. As a result, these customers will not be subject to margin calls or any requirement to make any additional payments throughout the life of their TRAKRS positions. In September 2002, we introduced SPCTR futures contracts based on subsets of the S&P 500 Index: Technology and Financial. Each contract is sized at $125 times the respective index price, making the contract size comparable to the E-mini stock index contracts. We intend to introduce other futures contracts based on additional S&P 500 sector indexes, pursuant to an April 2002 agreement we signed with Standard & Poor's.

We believe the variety of our stock index futures products appeals to a broad group of equity investors. These investors include public and private pension funds, investment companies, mutual funds, insurance companies and other financial services companies that benchmark their investment performance to different segments of the equity markets.

In 1997, we launched our E-mini S&P 500 futures contracts. We followed this highly successful new product offering with the introduction of E-mini NASDAQ-100 futures contracts in 1999. E-mini contracts are traded exclusively on our electronic GLOBEX platform and are one-fifth the size of our standard size S&P 500 and NASDAQ-100 futures contracts. These products are designed to address the growing demand for stock index derivatives and electronically traded products from individual traders and small institutions. Since their introduction, trading volumes in these products have grown rapidly**,** achieving new volume and open interest records on a regular basis during 2001 and 2002. This growth is attributable to the benefits of stock index futures, electronic market access and significant volatility in the U.S. equity markets. In October 2001, we also introduced E-mini Russell 2000 index futures. In January 2002, we introduced an E-mini version of our S&P MidCap 400 futures contract, and we plan to introduce futures based on the Russell 1000 index in April 2003 for trading on GLOBEX.

Our stock index product trading volume has increased substantially, more than doubling from 2001 to 2002. Volume has been affected significantly by the volatility of the U.S. equity markets, particularly during the last two years. We believe our leading market position in equity products is a result of the

liquidity of our markets, the status of the S&P 500 Index and the NASDAQ-100 Index as two of the principal U.S. financial standards for benchmarking stock market returns and the appeal to investors and traders of our E-mini products and GLOBEX. We believe future growth in our stock index products will come from expanding customer access to our electronic markets, as well as further educating the marketplace on the benefits of these products. For example, we expect that adding direct connections to a number of customers that provide brokerage services to day traders will contribute to continued growth of our E-mini equity products in 2003.

Other equity product growth opportunities are expected to come from the introduction of single stock futures and futures on narrow-based stock indexes. Recent industry deregulation permits futures and securities exchanges to offer single stock futures and futures contracts on narrow-based stock indexes. Single stock futures allow investors to obtain exposure, for hedging or speculative purposes, that is economically equivalent to owning or shorting an individual stock without actually buying or selling the stock. They are designed to offer leverage, ease of trading and less expensive, more customized risk management strategies than equity options, equity swaps and stock lending transactions. In 2001, we entered into an operating agreement governing OneChicago, our joint venture with CBOE and CBOT, to trade single stock futures contracts on stocks trading worldwide as well as futures on narrow-based stock indexes. Under the terms of our operating agreement, we own approximately a 40% interest in OneChicago, CBOE owns approximately a 40% interest and CBOT owns a minority interest. We believe the joint venture will reduce the costs and risks associated with the start-up of trading in a new futures product and increase our chances of success by combining the customer bases and resources of our exchanges. In particular, we believe the collective marketing and distribution channels of CME, CBOE and CBOT will create liquidity that will allow the joint venture to become a market leader in single stock futures. Under the terms of our operating agreement, until May 31, 2005 we are restricted from in any way, directly or indirectly, engaging in the business of trading, marketing, regulating, selling, purchasing, clearing or settling transactions in single stock futures other than in conjunction with the joint venture. This restriction on our ability to compete applies whether or not we remain part of the joint venture, but it does not apply to futures based on narrow-based stock indexes. On November 8, 2002, OneChicago commenced its trading operations.

Foreign Exchange Products. We became the first exchange to introduce financial futures when we launched foreign exchange futures in 1972. Since that time we have built a strong presence in foreign exchange futures. Institutions such as banks, hedge funds, commodity trading advisors, corporations and individual customers use these products to manage their risks associated with, or speculate on, fluctuations in foreign exchange rates. Foreign exchange products represented 4.3% of our trading volume in 2002, an average of more than 96,000 contracts per day. Volume is measured based on the number of round turn contracts, with each round turn representing a matched buy and sell of one contract. We offer futures and options on futures contracts on major currencies, including the Euro, Japanese yen, British pound, Swiss franc, Canadian dollar, Mexican peso, Australian dollar, Brazilian real, New Zealand dollar and South African rand.

Our trading volume for foreign exchange futures products rose in 2002, following a decline during the four years prior to 2001 when overall industry-wide foreign exchange trading volume had been flat. During 2002, our total foreign exchange trading volume increased 8.3% over levels in 2001. Previously, our volume was impacted by the introduction of the Euro and subsequent phasing out of many of the major European currencies, the continuing consolidation in the financial institutions sector, increased use of internal netting mechanisms by our customers and wide use of electronic trading for foreign exchange transactions by competing markets. We have begun improving the performance of this product sector by expanding electronic trading in our foreign exchange products and permitting wider use of block trading and EFPs through our markets. We introduced side-by-side electronic and open outcry trading of foreign exchange futures in April 2001. We believe this change has helped facilitate the increase in volume in these products. In 2002, electronically traded foreign exchange futures volume

increased 115% over 2001, from approximately 3.5 million contracts to nearly 7.5 million contracts, while open outcry trading decreased 11.2%, from 12.1 million contracts in 2001 to 10.9 million contracts in 2002. The growth in privately negotiated transactions that we accept, settle and guarantee through our clearing house offset a portion of the revenue impact from the lower trading volume in recent years. Our per transaction revenues for these trades are higher than other means of trade execution.

In May 2002, we introduced 13 new cross-rate foreign exchange futures contracts, consisting of two U.S. dollar-based contracts and 11 non-dollar-based contracts.

We expect the potential for growth in our foreign exchange product line will come from further transitioning to electronic trading in this market that will allow us to compete more effectively for electronic volume. The foreign exchange spot market is heavily reliant on electronic trading, with the majority of trades estimated to be brokered online. We continue to increase both functionality and distribution and are in discussions to add electronic interfaces with OTC market electronic trading platforms. We believe these interfaces, if successfully implemented, will position us to increase our foreign exchange futures volume and expand our product offerings. In March 2003, we launched futures and options on futures based on a new dollar index, the CME$INDEX, a geometric index of seven foreign currencies that is weighted to reflect the relative competitiveness of U.S. goods in foreign markets. CME$INDEX provides investors with a new instrument for currency speculation and risk management. The seven currencies included in the index are the Euro, Japanese yen, British pound, Swiss franc, Australian dollar, Canadian dollar and Swedish krona.

Commodity Products. Commodity products were our only products when our exchange first opened for business. We have maintained a strong franchise in our commodity products, including futures contracts based on cattle, hogs, pork bellies, lumber and dairy products. Commodity products accounted for 1.4% of our trading volume during 2002, an average of more than 30,000 contracts per day. These products provide hedging tools for our customers who deal in tangible physical commodities, including agricultural producers of commodities and food processors. Our commodity products are traded through our open outcry and electronic trading execution facilities. In the first quarter of 2002, we introduced side-by-side electronic and open outcry trading of lean hog, live cattle and feeder cattle futures.

Trading volume for our commodity products has been relatively stable in recent years. We believe continuing consolidation and restructuring in the agricultural sector, coupled with the reduction or elimination of government subsidies and the resulting increase in demand for risk management in this sector, could create growth in our commodity markets as more producers and processors adopt formal hedging and risk management programs.

We intend to leverage our experience in trading futures on physical commodities to jointly develop new commodity products with operators of electronic, cash and derivatives trading platforms. For example, in 2002 we entered into an agreement with NYMEX to introduce smaller-sized versions of key NYMEX energy futures contracts for trading on our GLOBEX electronic trading platform. The products, based on our successful E-mini stock index contracts, are called e-miNY energy futures and clear at the NYMEX clearing house. On June 17, 2002, e-miNY crude oil and natural gas futures contracts began trading.

Market Data and Information Products. Our markets generate valuable information regarding prices and trading activity in our products. The market data we supply is central to trading activity in our products and to trading activity in related cash and derivatives markets. We sell our market data, which includes information about bids, offers, trades and trade size, to banks, broker-dealers, pension funds, investment companies, mutual funds, insurance companies, individual investors and other financial services companies or organizations that use our markets or monitor general economic conditions. We sell our market data directly to our electronic trading customers as part of their access

to our markets through our electronic facilities. We also sell market data via dedicated networks to approximately 170 worldwide quote vendors who consolidate our market data with that from other exchanges, other third party data providers and news services, and then resell their consolidated data. As of December 31, 2002, approximately 54,000 subscribers displayed our data on approximately 175,000 screens. Revenues from market data products totaled $48.7 million, or 10.8% of our net revenues, in 2002.

We have begun enhancing our current market data and information product offerings by packaging the basic data we have traditionally offered with advanced analytical data and information. We have created marketing programs to increase the use of our market data. We have started to develop new business relationships with companies that develop value-added computer-based applications that process our market data to provide specific insights into the dynamics of trading activity in our products. In March 2002, we expanded the scope of our market data offerings by providing CME E-quotes, direct, real-time price quotes, to the trading community over the Internet, through our Web site. The new service enables users to integrate interactive charting and news services with market data, building customized packages of data, charting and news that fit their particular needs. CME E-quotes received a 2002 European Banking Technology Award for the best use of information technology in the wholesale banking sector. In June 2002, enhancements to our market data interface software reduced customers' bandwidth requirements by 65% to 70%. In August 2002, we introduced CME E-history to automate the process of supplying users with historical price data for our futures and options on futures.

Execution

Our trade execution facilities consist of our open outcry trading pits and the GLOBEX electronic trading platform. Both of these execution facilities offer our customers immediate trade execution, anonymity and price transparency and are state-of-the-art trading environments supported by substantial infrastructure and technology for order routing, trade reporting, market data dissemination and market surveillance and regulation. In addition, trades can be executed through privately negotiated transactions that are cleared and settled through our clearing house. The chart below shows the range of trade execution choices we provide our customers in some of our key products.

Product	Open Outcry	GLOBEX Daytime	GLOBEX Nighttime	Privately Negotiated Transactions
Eurodollar	X	X	X	X
Standard S&P 500	X	—	X	X
Standard NASDAQ-100	X	—	X	X
E-mini S&P 500	—	X	X	—
E-mini NASDAQ-100	—	X	X	—
Foreign Exchange	X	X	X	X
Commodity	X	X	—	X

Open Outcry Trading. Open outcry trading represented 63.1% of our total trading volume in 2002. The trading pits are the centralized meeting place for floor traders and floor brokers representing customer orders to trade contracts. The trading floors, covering approximately 70,000 square feet, have tiered booths surrounding the pits from which clearing firm personnel can communicate with customers regarding current market activity and prices and receive orders either electronically or by telephone. In addition, our trading floors display current market information and news on electronic wallboards hung above the pits. During 2002, approximately 50% of our clearing and transaction fee revenues were derived from open outcry trading.

GLOBEX Electronic Trading. We began electronic trading in 1992 using a system developed in partnership with Reuters. Our second generation electronic trading platform was introduced in 1998,

and is based on the Nouveau Système de Cotation, or NSC, owned and licensed to us by Euronext-Paris, a subsidiary of Euronext N.V. GLOBEX maintains an electronic, centralized order book and trade execution algorithm for futures contracts and options on futures contracts and allows users to enter orders directly into the order book. Initially, these systems were used to offer our products to customers after the close of our regular daytime trading sessions. Today, however, we trade some of our most successful products on the GLOBEX platform nearly 23 hours a day, five days a week. In 2002, 35.5% of our trading volume was executed using GLOBEX, compared to 19.9% in 2001. Our electronic volume has grown rapidly during the last five years. Electronic trading volume has increased from nearly 4.4 million contracts in 1997 to nearly 198.0 million contracts in 2002. GLOBEX volume exceeded one million contracts for a single day for the first time on June 12, 2002. As of December 31, 2002, GLOBEX had achieved 55 days of volume greater than one million contracts, including the volume attributable to the first-day trading volumes of TRAKRS, a product line developed with Merrill Lynch. On October 7, 2002, GLOBEX volume exceeded open outcry volume for the first time. During 2002, approximately 42% of our clearing and transaction fees revenue were derived from electronic trading.

Privately Negotiated Transactions. In addition to offering traditional open outcry and electronic trading through the GLOBEX platform, we permit qualified customers to trade our products by entering into privately negotiated EFP and EBF transactions and block trades, which are reported and included in the market data we distribute. We also clear, settle and guarantee these transactions through our clearing house. Some market participants value privately negotiated transactions as a way to ensure that large transactions can be completed at a single price or in a single transaction while preserving their ability to effectively complete a hedging, risk management or other trading strategy. During 2002, approximately 8% of our clearing and transaction fees revenues were derived from this type of trading.

EFP and EBF transactions involve a privately negotiated exchange of a futures contract for a cash position or other qualified instrument. While EFP capabilities have been available for many years, and constitute a significant and profitable segment of our foreign exchange futures trading, EFPs have been offered on a restricted basis in some of our other markets. Recently, we have taken steps to liberalize our trading policies, including extending EBF capabilities to all Eurodollar futures contracts.

A block trade is the privately negotiated purchase and sale of futures contracts. Block trading was introduced on our exchange in late 2000, and volume has been limited to date. We believe block trading provides an important new source of access designed to appeal to large-scale institutional traders. Originally, these transactions were limited to a certain number of contracts and required high minimum quantity thresholds along with a fee surcharge. More recently, we implemented new pricing and trading rules designed to increase customer participation. We intend to continue to enhance the utility of EFP and block transactions while maintaining an appropriate balance with the transactions conducted within the open outcry and electronic trading environments.

Clearing

We operate our own clearing house that clears, settles and guarantees the performance of all transactions matched through our execution facilities. By contrast, many derivatives exchanges, including CBOT, CBOE and LIFFE, do not provide clearing services for trades conducted using their execution facilities, relying instead on outside clearing houses to provide these services. Ownership and control of our own clearing house enables us to capture the revenue associated with both the trading and clearing of our products. This is particularly important for trade execution alternatives such as block trades, where we can derive a higher per trade clearing fee compared to other trades. By owning our clearing house, we also control the cost structure and the technology development cycle for our clearing services. We believe having an integrated clearing function provides significant competitive

advantages. It helps us manage our new product initiatives without being dependent on an outside entity.

During 2002, we processed an average of approximately 554,000 clearing transactions per day, with an average transaction size of 12 contracts. We maintain the largest futures and options on futures open interest of any exchange in the world. As of December 31, 2002, our open interest record was 24.8 million contracts, set on December 12, 2002. As of December 31, 2002, we acted as custodian for approximately $27.4 billion in performance bond assets deposited by our clearing firms and, during 2002, we moved an average of approximately $1.8 billion a day in settlement funds through our clearing system. In addition, our clearing house guarantees the performance of our contracts with a financial safeguards package of approximately $3.4 billion.

The clearing function provides three primary benefits to our markets: efficient, high-volume transaction processing; cost and capital efficiencies; and a reliable credit guarantee. The services we provide can be broadly categorized as follows:

- transaction processing and position management;
- cross-margining;
- market protection and risk management;
- settlement, collateral and delivery; and
- investment.

Transaction Processing and Position Management. We developed a state-of-the-art clearing system, CLEARING 21, in conjunction with NYMEX to provide high quality clearing services. This system processes reported trades and positions on a real-time basis, providing users with instantaneous information on trades, positions and risk exposure. CLEARING 21 is able to process trades in futures and options products, securities and cash instruments. CLEARING 21 can also support complex new product types including combinations, options on combinations, options on options, swaps, repurchase and reverse repurchase agreements, and other instruments. Through CLEARING 21 user interfaces, our clearing firms can electronically manage their positions, exercise options, enter transactions related to foreign exchange deliveries, manage collateral posted to meet performance bond requirements and access all of our other online applications. Together with our order routing and trade matching services, we offer straight-through electronic processing of transactions in which an order is electronically routed, matched, cleared and made available to the clearing firm's back-office systems for further processing.

Cross-Margining and Mutual Offset Services. We have led the derivatives industry in establishing cross-margining agreements with other leading clearing houses. Cross-margining arrangements reduce capital costs for clearing firms and our customers. These agreements permit an individual clearing house to recognize a clearing firm's open positions at other participating clearing houses, and clearing firms are able to offset risks of positions held at one clearing house against those held at other participating clearing houses. This reduces the need for collateral deposits by the clearing firm. For example, our cross-margining program with the Options Clearing Corporation reduces performance bond requirements for our members by approximately $472 million a day. We have implemented cross-margining arrangements with the Government Securities Clearing Corporation and with the London Clearing House for certain London International Financial Futures and Options Exchange, or LIFFE, positions. We have also implemented a cross-margining arrangement with NYMEX in connection with our agreement to offer e-miNY energy futures. In addition, we have a mutual offset agreement with Singapore Derivatives Exchange, which has been in place since 1984 that allows a clearing firm of either exchange initiating trades in some interest rate products on either exchange to execute after-hours trades at the other exchange in those products, then transfer them back to the originating

exchange. This mutual offset system enables firms to seamlessly execute trades at either exchange virtually 24 hours per day.

Market Protection and Risk Management. Our clearing house guarantee of performance is a significant attraction, and an important part of the functioning, of our exchange. Because of this guarantee, our customers do not need to evaluate the credit of each potential counterparty or limit themselves to a selected set of counterparties. This flexibility increases the potential liquidity available for each trade. Additionally, the substitution of our clearing house as the counterparty to every transaction allows our customers to establish a position with one party and then to offset the position with another party. This contract netting process provides our customers with significant flexibility in establishing and adjusting positions.

In order to ensure performance, we establish and monitor financial requirements for our clearing firms. We also set minimum performance bond requirements for our traded products. Our clearing house uses our proprietary SPAN software, which determines the appropriate performance bond requirements by simulating the gains and losses of complex portfolios. We typically hold performance bond collateral to cover at least 95% of price changes for a given product within a given historical period. Performance bond requirements for a clearing firm's or customer's overall portfolio are calculated using SPAN.

At each settlement cycle, our clearing house values at the market price prevailing at the time, or marks to market, all open positions and requires payments from clearing firms whose positions have lost value and makes payment to clearing firms whose positions have gained value. Our clearing house marks-to-market all open positions at least twice a day, and more often if market volatility warrants. Marking-to-market provides both participants in a transaction with an accounting of their financial obligations under the contract.

Conducting a mark-to-market a minimum of two times a day helps protect the financial integrity of our clearing house, our clearing firms and market participants. This allows our clearing house to identify quickly any clearing firms that may not be able to satisfy the financial obligations resulting from changes in the prices of their open contracts before those financial obligations become exceptionally large and jeopardize the ability of our clearing house to ensure performance of their open positions.

In the unlikely event of a payment default by a clearing firm, we would first apply assets of the clearing firm to cover its payment obligation. These assets include security deposits, performance bonds and any other available assets, such as the proceeds from the sale of Class A and Class B common stock and memberships of the clearing firm at our exchange owned by or assigned to the clearing firm. Thereafter, if the payment default remains unsatisfied, we would use our surplus funds, security deposits of other clearing firms and funds collected through an assessment against all other solvent clearing firms to satisfy the deficit. We have a secured, committed $500.0 million line of credit with a consortium of banks in order to provide additional liquidity to address a clearing firm payment default. The credit agreement requires us to pledge all clearing firm security deposits held by us in the form of U.S. Treasury or agency securities, as well as security deposit funds in our IEF2 program. This line of credit may also be utilized if there is a temporary disruption with the domestic payments system that would delay settlement payments between our clearing house and clearing firms.

The following shows the available assets of our clearing house at December 31, 2002 in the event of a payment default by a clearing firm:

CME Clearing House Available Assets
(in millions)

Aggregate Performance Bond Deposits by All Clearing Firms(1)	$	27,360.5

Market Value of Pledged Shares/Memberships (minimum requirement per firm)(2)	$	4.8
CME Surplus Funds(3)		171.6
Security Deposits of Clearing Firms(4)		869.2
Limited Assessment Powers(5)		2,390.5
Minimum Total Assets Available for Default	$	3,436.1

(1) Aggregate performance bond deposits by all clearing firms includes cash performance bond deposits of $1.79 billion and the value assigned by our exchange for securities deposited to satisfy performance bond requirements. This assigned value for securities is generally less than the fair market value of the securities deposited.

(2) Each clearing firm is required to pledge to the clearing house specified trading rights, shares of our Class B common stock associated with those trading rights and a specified number of shares of our Class A common stock. These trading rights and shares become available to us in the event of a clearing firm default. The amount included in the table above represents the market value of the minimum number of trading rights and shares required to be pledged. Any trading rights or shares owned in excess of the minimum requirements are not included. The market value is based on the average of the bid and offer for the trading rights and associated shares at December 31, 2002.

(3) CME surplus funds represent the amount of our working capital reduced by an amount necessary to support our short-term operations.

(4) Security deposits of clearing firms include security deposits required of clearing firms but do not include any excess deposits held by our exchange at the direction of the clearing firms.

(5) In the event of a clearing firm default, if a loss continues to exist after the utilization of the assets of the defaulted firm, our surplus funds and the security deposits of non-defaulting firms, we have the right to assess all non-defaulting clearing members up to 2.75 times their existing security deposit requirements.

Settlement, Collateral and Delivery Services. We manage final settlement in all of our contracts, including cash settlement, physical delivery of selected commodities, and option exercises and assignments. Because some initial and maintenance performance bonds from clearing firms, as well as mark-to-market obligations on some of our contracts, are denominated in various foreign currencies, we offer multi-currency margin and settlement services. We also offer the Moneychanger Service to our clearing firms. This service provides members with access to overnight funds in various foreign currencies at competitive bid/ask spreads free of charge to satisfy the terms of a foreign currency denominated futures contract.

Although more than 95% of all futures contracts are liquidated before the expiration of the contract, the underlying financial instruments or commodities for the remainder of the contracts must be delivered. We act as the delivery agent for all contracts, ensuring timely delivery by the seller of the exact quality and quantity specified in a contract and full and timely payment by the buyer.

In order to administer its system of financial safeguards efficiently, our clearing house has developed banking relationships with a network of major U.S. banks and banking industry

infrastructure providers, such as the Society for Worldwide Interbank Financial Telecommunications, or SWIFT. Among the key services provided to our clearing house by these banks and service providers are a variety of custody, credit and payment services that support the substantial financial commitments and processes backing the guarantee of our clearing house to market participants.

Investment Services. In order to achieve collateral efficiencies for our clearing firms, we have also established our IEF program, money market funds managed by third party investment managers, to allow clearing firms to enhance the yields they receive on their performance bond collateral deposited with our clearing house. The first IEF was organized in 1997 as two limited liability companies. Interest earned, net of expenses, is passed on to participating clearing firms. The principal of the first IEF is guaranteed by us. The investment portfolio of these facilities is managed by two of the exchange's approved settlement banks, and eligible investments include U.S. Treasury bills and notes, U.S. Treasury strips and reverse repurchase agreements. The maximum average portfolio maturity is 90 days, and the maximum maturity for an individual security is 13 months. We believe that the market risk exposure relating to our guarantee is not material to the financial statements taken as a whole. In 2002, IEF2 was organized. IEF2 offers clearing firms the opportunity to invest cash performance bonds in shares of approved money market mutual funds. Dividends earned on these shares, net of fees, are solely for the account of the clearing firm on whose behalf the shares were purchased. The principal of IEF2 is not guaranteed by us. As of December 31, 2002, clearing firms had more than $12.2 billion in balances in IEF and IEF2 funds, as compared to $8.3 billion at December 31, 2001. Our clearing house earns fee income in return for providing this value-added service to our clearing firms.

Our clearing house launched a securities lending program in 2001 using a portion of certain securities deposited to meet the proprietary performance bond requirements of our clearing firms. Under this securities lending program, we lend a security to a third party and receive collateral in the form of cash. The majority of the cash is then invested on an overnight basis to generate interest income. The related interest expense represents payment to the borrower of the security for the cash collateral retained during the duration of the lending transaction. Securities on loan are marked-to-market daily and compared to collateral received. The securities lending activity utilizes some of the securities deposited by clearing firms, one of which is a subsidiary of the bank used for executing this securities lending program. Proceeds from securities lending at December 31, 2002 were invested in a money market mutual fund administered by a subsidiary of this same bank or held in the form of cash.

Technology

Our operation of both trading facilities and a clearing house has influenced the design and implementation of the technologies that support our operations.

Trading Technology. We have a proven track record of operating successful open outcry and electronic markets by developing and integrating multiple, evolving technologies that support a growing and substantial trading volume. The integrated suite of technologies we employ to accomplish this has been designed to support a significant expansion of our current business and provides us with an opportunity to leverage our technology base into new markets, products and services.

As electronic trading activity expands, we continue to provide greater match engine functionality unique to various markets, market models and product types. We have adopted a modular approach to technology development and engineered an integrated set of solutions that support multiple specialized markets. We continually monitor and upgrade our capacity requirements and have designed our systems to handle at least twice our peak transactions in our highest volume products. Significant investments in production planning, quality assurance and certification processes have enhanced our ability to expedite the delivery of the system enhancements that we develop for our customers.

Speed, reliability, scalability, capacity and functionality are critical performance criteria for electronic trading platforms. A substantial portion of our operating budget is dedicated to system design, development and operations in order to achieve high levels of overall system performance. For example, to respond to customer requests and bring down the cost of trading for our European customers, we established a telecommunications hub in London in early 2002. In late September 2002, we also launched a remote data center to provide additional system capacity and redundancy for our trading and clearing technology. The remote data center features an entirely new network to enhance data base and order routing servers and to improve overall system performance and functionality. Our data centers support our customer interfaces, trading and execution systems, as well as clearing and settlement operations.

The technology systems supporting our trading operations can be divided into four major categories:

Distribution	Technologies that support the ability of customers to access our trading systems from terminals through network access to our trading floor and/or electronic trading environments.
Order routing/order management	Technologies that control the flow of orders to the trading floor or electronic trading systems and that monitor the status of and modify submitted orders.
Trade matching (electronic market)	Technologies that aggregate submitted orders and electronically match buy and sell orders when their trade conditions are met.
Trading floor operations	Technologies that maximize market participants' ability to capitalize on opportunities present in both the trading floor and electronic markets that we operate.

The GLOBEX electronic trading platform includes distribution, order routing, order management and trade matching technology. The modularity and functionality of GLOBEX enable us to selectively add products with unique trading characteristics onto the trading platform with minimal additional investment.

The distribution technologies we offer differentiate our platform and bring liquidity and trading volume to our execution facilities. As of December 31, 2002, nearly 1,300 customers connected directly with us, and thousands more connected with us through 25 independent software vendors and data centers, as well as 28 clearing firms that have interfaces with our systems. Many of these customers connect through a dedicated private frame-relay network that is readily available, has wide distribution and provides fast connections in the Americas, Europe and Asia. Over the past year, we initiated efforts to provide additional access choices to customers, and in early 2001, implemented a Web-based, virtual private network solution, GLOBEX Trader-Internet, for our lower-volume customers. This added a low-cost alternative that was the first of its kind among major exchanges. In its first year of operations, we attracted approximately 275 users.

In order routing and management, we offer a range of mechanisms and were among the first U.S. derivatives exchanges to fully implement the FIX 4.2 protocol—the standard order routing protocol used within the securities industry. In addition, our order routing and order management systems are capable of supporting multiple electronic trading match engines. This functionality gives us great latitude in the types of markets that we choose to serve.

Several key technology platforms and standards are used to support these activities, including fault-tolerant Tandem systems, IBM mainframes, Sun Microsystems servers, HP and Dell PCs, Oracle and DB2 databases, Unix, Windows NT, Novell, Unicenter TNG software systems, TIBCO middleware and multi-vendor frame relay and virtual private network solutions.

Our match engine is based upon the computerized trading and match software known as the NSC. We have a long-term license from Euronext-Paris, under which we have the ability to modify and upgrade the performance of the basic NSC system to optimize its performance to suit our needs. We have a fully trained development team that maintains, upgrades and customizes our version of the NSC system. For example, despite a large increase in trading volume, we reduced the average customer response time from 1.2 seconds at the beginning of 2002 to 0.3 seconds at year-end, allowing trades to be executed more quickly and consistently. The customized enhancements that we have developed address the unique trading demands of each marketplace that we serve. We continue to focus on performance features of the match engine and presently have multiple enhancements under development.

Clearing Technology. CLEARING 21, our clearing and settlement software, and SPAN, our margining and risk management software, form the core of our clearing technology.

CLEARING 21 is a system for high-volume, high-capacity clearing and settlement of exchange-based transactions that we developed jointly with NYMEX. The system offers clearing firms improved efficiency and reduced costs. CLEARING 21's modular design gives us the ability to rapidly introduce new products. The software can be customized to meet the unique needs of specialized markets.

SPAN is our sophisticated margining and risk management software. SPAN has now been adopted by 40 exchanges and clearing organizations worldwide. This software simulates the effects of changing market conditions on a complex portfolio and uses standard options pricing models to determine a portfolio's overall risk. SPAN then generates a performance bond requirement that typically covers 95% of price changes within a given historical period.

Strategic Relationships

Tokyo Stock Exchange. In October 2000, we signed a non-binding letter of intent to pursue a global alliance with the Tokyo Stock Exchange, with the goal of further developing our respective fixed-income and equity derivatives markets. In March 2002, we introduced S&P/TOPIX 150 stock index futures on our electronic GLOBEX platform during the hours they are not available on the Tokyo Stock Exchange.

Mercado Oficial de Futuros y Opciones Financieros. In 2000, we established an alliance with MEFF in an effort to expand our successful equity index franchise globally. MEFF is the official Spanish futures and options market. Through this partnership, derivatives on the European S&P index products are listed for trading on MEFF's electronic trading platform and cleared at our clearing house. By allowing MEFF to join our clearing house as a clearing firm, both CME and MEFF market participants can leverage their existing clearing relationships through participation in this product market.

New York Mercantile Exchange. We entered into an agreement in 2002 with NYMEX to introduce small-sized versions of key NYMEX energy futures contracts for trading on our GLOBEX electronic trading platform. The products, based on our successful E-mini stock index contracts, are called e-miNY energy futures and clear at the NYMEX clearing house. On June 17, 2002, e-miNY crude oil and natural gas futures contracts began trading. As part of the agreement, we now offer a cross-margining program, creating capital efficiencies for market professionals and proprietary accounts by calculating performance bond requirements based on specified positions in both markets. In addition, GLOBEX terminals are available to NYMEX market participants on the NYMEX trading floor, and other market participants are able to connect to GLOBEX through a variety of access channels. During the term of the agreement and for one year thereafter, we are generally prohibited, other than in cooperation with NYMEX, from providing for or facilitating electronic trading in futures or options on futures contracts on any underlying commodity (or index of such commodities) that is also the underlying commodity for a product listed for trading by NYMEX.

Korea Futures Exchange. In October 2002, we signed a non-binding memorandum of understanding with the Korea Futures Exchange to pursue joint business development initiatives in derivatives products.

London Clearing House and LIFFE. We have implemented a cross-margining arrangement with the London Clearing House and LIFFE, which was recently acquired by Euronext N.V. This cross-margining arrangement allows an individual clearing house to recognize a clearing firm's open positions at other participating clearing houses, and clearing firms are able to offset risks of positions held at one clearing house against those held at other participating clearing houses. Through this relationship, we provide cost savings to clearing firms and their affiliates who have positions in our Eurodollar contract and LIFFE's Euribor futures and options on futures contracts.

Singapore Derivatives Exchange Ltd. In 1984, we entered into a mutual offset agreement with the Singapore Derivatives Exchange. This relationship allows a clearing firm of either exchange initiating trades in some interest rate products on either exchange to execute after-hours trades at the other exchange in those products, then transfer them back to the originating exchange.

Shanghai Futures Exchange. In March 2003, we entered into a memorandum of understanding with the Shanghai Futures Exchange, or SHFE, to pursue joint business development initiatives in derivatives products. The agreement is the first of its kind between SHFE and a North American exchange.

Marketing Programs and Advertising

Our marketing programs primarily target institutional customers and, to a lesser extent, individual traders. Our marketing programs for institutional customers aim to inform traders, portfolio managers, corporate treasurers and other market professionals about novel uses of our products, such as new hedging and risk management strategies. We also strive to educate these users about changes in product design, margin requirements and new clearing services. We participate in major domestic and international trade shows and seminars regarding futures and options and other derivatives products. In addition, we sponsor educational workshops and marketing events designed to educate market users about our new products. Through these relationships and programs, we attempt to understand the needs of our customer base and use information provided by them to drive our product development efforts.

We advertise our products and our brand name to increase our trading volume. Our advertising strategy is twofold: to maintain awareness and familiarity among our institutional target customers and to generate awareness among our growing retail audience. Our primary method of advertising has been through print media, using both monthly trade magazines and daily business publications.

Competition

Until the passage of the Commodity Futures Modernization Act of 2000, futures trading was generally required to take place on or subject to the rules of a federally designated contract market. The costs and difficulty of obtaining contract market designation, complying with applicable regulatory requirements, establishing efficient execution facilities and liquidity pools and attracting customers created significant barriers to entry. The Commodity Futures Modernization Act has eroded the historical dominance by the exchanges of futures trading in the United States by, among other things, permitting private transactions in most futures contracts and similar products and authorizing the use of electronic trading systems to conduct both private and public futures transactions. For a more detailed description of the regulation of our industry and the regulatory changes brought on by the Commodity Futures Modernization Act, see the section of this Annual Report on Form 10-K entitled "Item 1. Business—Regulatory Matters."

These changing market dynamics have led to increasing competition in all aspects of our business and from a number of different domestic and international sources of varied size, business objectives and resources. We now face competition from other futures, securities and securities option exchanges; OTC markets and clearing organizations; consortia formed by our members and large market participants; alternative trade execution facilities; technology firms, including market data distributors and electronic trading system developers; and other competitors.

At year-end 2002, there were 57 futures exchanges located in 30 countries, including 11 futures exchanges in the United States. In early 2003, Eurex announced its intention to operate a registered U.S. derivatives exchange by the beginning of 2004. Because equity futures contracts are alternatives to underlying stocks and a variety of equity option and other contracts provide an alternative means of obtaining exposure to the equity markets, we also compete with securities and options exchanges, including the New York Stock Exchange and CBOE, dealer markets such as NASDAQ and alternative trading systems such as Instinet.

OTC markets for foreign exchange and fixed-income derivatives products also compete with us. The largest foreign exchange markets are operated primarily as electronic trading systems. Two of the largest of these, operated by Electronic Broking Services and Reuters plc, serve primarily professional foreign exchange trading firms. Additional electronic platforms designed to serve corporate foreign exchange users are beginning to emerge. Two of these are operated by consortia of interdealer and interbank market participants. A third is a proprietary trading system. These systems present significant potential competitive challenges to the growth of our foreign exchange futures markets.

The OTC fixed-income derivatives market is by far the largest fixed-income derivatives marketplace. The OTC market consists primarily of interbank and interdealer market participants. There is currently no single liquidity pool in the OTC fixed-income derivatives market that is comparable to our Eurodollar markets. The OTC market for fixed-income derivatives products has traditionally been limited to more customized products, and the large credit exposures created in this market and the absence of clearing facilities have limited participation to the most creditworthy institutional participants. However, the size of this market and technology-driven developments in electronic trading and clearing facilities, as well as regulatory changes implemented by the Commodity Futures Modernization Act, increase the likelihood that one or more substantial liquidity pools will emerge in the future in the OTC fixed-income derivatives market.

Other emerging competitors include consortia owned by firms that are members of our exchange, and large market participants also may become our competitors. For example, BrokerTec Global LLC, or BrokerTec, an electronic interdealer fixed-income broker whose members include Citigroup, Credit Suisse First Boston, Deutsche Bank AG, Goldman Sachs Group, J.P. Morgan Chase, Lehman Brothers, Merrill Lynch & Co., Morgan Stanley and UBS Warburg, is a significant intermediary in the market for U.S. Treasury securities, Euro-denominated sovereign debt and other fixed-income securities and repurchase transactions involving those securities. In addition, in 2002, BrokerTec launched an electronic futures exchange and clearing house for futures contracts on U.S. Treasury securities and may list futures on other fixed-income instruments in the future. All of the members of BrokerTec are currently our member firms or affiliates of our member firms and include many of the most significant participants in our Eurodollar and S&P 500 futures markets. In January 2003, BrokerTec agreed to sell the majority of its trading operations to ICAP plc. The acquisition is expected to be completed in the spring of 2003.

Alternative trade execution facilities that currently specialize in the trading of equity securities have electronic trade execution and routing systems that also can be used to trade products that compete with our products. While these firms generally may lack overall market liquidity and distribution capability, typically, they have advanced electronic and Internet technology, significant capitalization and competitive pricing. In addition, while there is currently relatively little electronic

trading of OTC equity derivatives and the greatest portion of this market is conducted through privately negotiated transactions, it is likely that one or more OTC equity derivatives markets will emerge in the future.

Technology companies, market data and information vendors and front-end software vendors also represent potential competitors because, as purveyors of market data, these firms typically have substantial distribution capabilities. As technology firms, they also have access to trading engines that can be connected to their data and information networks. Additionally, technology and software firms that develop trading systems, hardware and networks that are otherwise outside of the financial services industry may be attracted to enter our markets.

We also face a threat of trading volume loss if a significant number of our traditional participants decide to trade futures or similar products among themselves without using any exchange or specific trading system. The Commodity Futures Modernization Act allows nearly all of our largest customers to transact futures or similar products directly with each other. While those transactions raise liquidity and credit concerns, they may be attractive based on execution costs, flexibility of terms, negotiability of margin or collateral deposits, or other considerations. Additionally, changes under the Commodity Futures Modernization Act permitting the establishment of stand-alone clearing facilities for futures and OTC derivatives transactions will facilitate the mitigation of credit-risk concentrations arising from such transactions.

We believe competition in the derivatives and securities businesses is based on a number of factors, including, among others:

- depth and liquidity of markets and related benefits;
- transaction costs;
- breadth of product offerings and rate and quality of new product development;
- transparency, reliability and anonymity in transaction processing;
- connectivity;
- technological capability and innovation;
- efficient and secure settlement, clearing and support services; and
- reputation.

We believe that we compete favorably with respect to these factors, and that our deep, liquid markets; breadth of product offerings; rate and quality of new product development; and efficient, secure settlement, clearing and support services distinguish us from our competitors. We believe that in order to maintain our competitive position, we must continue to develop new and innovative products; enhance our technology infrastructure, including its reliability; and maintain liquidity and low transaction costs.

We expect competition in our businesses to intensify as potential competitors expand into our markets, particularly as a result of technological advances and the Commodity Futures Modernization Act and other changes introduced by the Commodity Futures Trading Commission, or CFTC, that have reduced the regulatory requirements for the development and entry of products and markets that are competitive with our own. Additional factors that may intensify competition in the future include: an increase in the number of for-profit exchanges; the consolidation of our customer base or intermediary base; an increased acceptance of electronic trading and electronic order routing by our customer base; and the increasing ease and falling cost of other exchanges leveraging their technology investment and electronic distribution to enter new markets and list the products of other exchanges.

In addition to the competition we face in our derivatives business, we face a number of competitors in our business services and transaction processing business, including:

- other exchanges and clearing houses seeking to leverage their infrastructure; and
- technology firms, including front-end developers, back-office processing systems firms and match engine developers.

We believe competition in the business service and transaction processing market is based on, among other things, the cost of the services provided, quality and reliability of the services, timely delivery of the services, reputation and value of linking with existing products, markets and distribution.

Regulatory Matters

The Commodity Exchange Act, the scope of which was significantly expanded in 1974, subjected us to comprehensive regulation by the CFTC. Under the 1974 amendments, the CFTC was granted exclusive jurisdiction over futures contracts (and options on such contracts and on commodities). Such contracts were generally required to be traded on regulated exchanges known as contract markets. The Commodity Exchange Act placed our business in a heavily regulated environment but imposed significant barriers to unregulated competition.

Between 1974 and December 2000, the barriers against unregulated competitors were eroded. The Commodity Exchange Act's exchange trading requirement was modified by CFTC regulations and interpretations to permit privately negotiated swap contracts meeting specified requirements to be transacted in the OTC market. At June 30, 2002, according to data from the Bank for International Settlements, the total estimated notional amount of outstanding OTC derivatives contracts was nearly $128 trillion compared to nearly $23.4 trillion for exchange-traded futures and options contracts. The CFTC exemption and interpretations under which the OTC derivatives market operated precluded the OTC market from using exchange-like electronic transaction systems and clearing facilities.

The Commodity Futures Modernization Act, which became effective on December 21, 2000, significantly altered the regulatory landscape and may have important competitive consequences. This legislation greatly expanded the freedom of regulated markets, like ours, to innovate and respond to competition. It also permits us to offer a previously prohibited set of products—single stock futures and futures on narrow-based indexes of securities. The provisions that permit us to trade these security futures products require a novel sharing of jurisdiction between the CFTC and the SEC. Exchange trading of these security futures products is subject to more burdensome regulation than our other futures products. For example, in order to trade these products, we are required to "notice register" with the SEC as a special purpose national securities exchange solely for the purpose of trading security futures products, and the SEC is authorized to review some of our rules relating to these security futures products. Our members trading those products are subject to registration requirements and duties and obligations to customers under the securities laws that do not pertain to their other futures business.

The Commodity Futures Modernization Act excluded or exempted many of the activities of our non-exchange competitors from regulation under the Commodity Exchange Act. The Commodity Futures Modernization Act created broad exclusions and exemptions from the Commodity Exchange Act that permit derivatives contracts, which may serve the same or similar functions as the contracts we offer, to be sold in the largely unregulated OTC market, including through electronic trading facilities.

Additionally, the Commodity Futures Modernization Act permits SEC-regulated and bank clearing organizations to clear a broad array of derivatives products in addition to the products that such clearing organizations have traditionally cleared. The Commodity Futures Modernization Act also permits banks and broker-dealers, and some of their affiliates, to offer and sell foreign exchange futures to retail customers without being subject to regulation under the Commodity Exchange Act.

The Commodity Futures Modernization Act created a new flexible regulatory framework for us in our capacity as a CFTC registrant, and eliminated many prescriptive requirements of the Commodity Exchange Act and CFTC in favor of more flexible core principles. For instance, CFTC-regulated exchanges may now list new contracts and adopt new rules without prior CFTC approval under self-certification procedures, permitting more timely product launch and modification.

For regulated markets, the Commodity Futures Modernization Act creates a new three-tiered regulatory structure. The degree of regulation is related to the characteristics of the product and the type of customer that has direct or indirect access to the market, with retail customer markets being subject to greater regulation. The new three-tiered regulatory structure is as follows:

- designated contract markets with retail customer participation are subject to the highest level of regulation;
- derivatives transaction execution facilities with access limited to institutional traders and others trading through members that meet specified capital and other requirements and products limited to contracts that are less susceptible to manipulation (including single stock futures) will be subject to a lesser degree of regulation; and
- exempt boards of trade subject to the least regulation are characterized by products without cash markets or that are highly unlikely to be susceptible to manipulation and by the participation only of institutional traders and others that meet specified asset requirements.

Our existing market, which trades a broad range of products and permits intermediaries to represent unsophisticated customers, is subject to the most thorough oversight as a designated contract market. The Commodity Futures Modernization Act permits us to organize markets that are subject to lesser regulation depending on the types of products traded and the types of traders. Markets can be organized that trade only products that are unlikely to be susceptible to manipulation and permit direct trading only among institutional participants in order to achieve a less intrusive degree of oversight.

The Commodity Futures Modernization Act also provides for regulation of derivatives clearing organizations (DCOs), like our clearing house, separately from the exchanges for which they clear contracts and permits DCOs to clear a range of OTC-traded products in addition to products traded on an exchange. The Commodity Futures Modernization Act requires a DCO that clears for a registered futures exchange to register with the CFTC. However, our clearing house was deemed to be registered by reason of its activities prior to enactment of the Commodity Futures Modernization Act. A DCO may accept for clearing any new contract or may adopt any new rule or rule amendment by providing to the CFTC a written certification that the new contract, rule or rule amendment complies with the Commodity Exchange Act. Alternatively, the DCO may request that the CFTC grant prior approval to any contract, rule or rule amendment, and the CFTC must grant approval within 75 days unless the CFTC finds that the proposed contract, rule, or rule amendment would violate the Commodity Exchange Act.

From time to time it is proposed in Congress that federal financial markets regulators should be consolidated, including a possible merger between the CFTC and the SEC. While those proposals have not been adopted to date, the perceived convergence of product lines offered on the securities and commodity exchanges could make adoption more likely. To the extent the regulatory environment following such consolidation is less beneficial for us, our business, financial condition and operating results could be negatively affected.

From time to time it is proposed in the President's budget that a transaction tax be imposed on futures and options on futures transactions. While those proposals have not been adopted to date, except for a per-contract fee on single stock futures and futures on narrow-based stock indexes, the imposition of any such tax could increase the cost of using our products and, consequently, our business, financial condition and operating results could be negatively affected.

Our Members

As a result of our conversion into a for-profit corporation in the fall of 2000, individuals and entities who, at the time, were members and owned trading rights on our exchange became the owners of all of the outstanding equity of CME. In our reorganization into a holding company structure, CME shareholders exchanged their shares for shares of CME Holdings. CME shareholders that were members and owned trading rights on our exchange retained them after the merger. Owners of trading rights on our exchange owned, of record, approximately 81% of our outstanding Class A common stock as of December 31, 2002. CME members can execute trades for their own accounts or for the accounts of customers of clearing firms. Members who trade for their own account, including those who lease trading rights, qualify for lower transaction fees in recognition of the market liquidity that their trading activity provides. These members also benefit from market information advantages that may accrue from their proximity to activity on the trading floors. Generally, member customers are charged lower fees than our non-member customers. In 2002, our members were responsible for approximately 78% of our total trading volume. There are four divisions of membership at our exchange: the Chicago Mercantile Exchange, or CME, division; the International Monetary Market, or IMM, division; the Index and Option Market, or IOM, division; and the Growth and Emerging Markets, or GEM, division. Each membership division has different trading rights. Membership applicants planning to access the trading floor are subject to a review and approval process prior to becoming members and obtaining trading rights. We also have individual trading members and clearing firms.

Membership in our exchange entitles members to appear on the floor of the exchange during business days and act as a floor broker and/or floor trader executing trades in the appropriate contracts that correlate with their membership division. Applicants for membership on our exchange are required to be of good moral character, reputation and business integrity. They must also have adequate financial resources and credit to assume the responsibilities and privileges of membership. All members must understand the rules and regulations of our exchange and agree to abide by them. Additionally, they must comply with the provisions of the Commodity Exchange Act and the rules and regulations issued by the CFTC.

Our exchange is a self-regulatory organization subject to the oversight of the CFTC. Members submit to the jurisdiction of our exchange rules. Our Division of Market Regulation is the investigative and enforcement arm of our exchange with regard to our exchange rules. Members who are found to have violated a rule can be subject to sanctions such as fines, trading suspensions and/or expulsion from our exchange. Changes to our rules must be approved by our Board of Directors. Some rule changes are subject to CFTC approval prior to their implementation. In addition, members receive prior notice of a new rule or amendment before it becomes effective through various publications.

Under the terms of our certificate of incorporation, our members, as Class B shareholders, have the ability to protect their rights to trade on our exchange by means of special approval rights over changes to the operation of our markets and are entitled to elect six of the 20 directors on our Board. In particular, our certificate of incorporation grants the holders of our Class B common stock the right to approve any changes to the trading floor rights, access rights and privileges that a member has, the number of memberships in each membership class and the related number of authorized shares in each class of Class B common stock and the eligibility requirements to exercise trading rights or privileges. Class B shareholders must approve any changes to these special rights.

Our Shareholder Relations and Membership Services Department maintains an auction market for individual trading rights and for trading rights bundled with their associated restricted Class A-1, A-2, A-3 and A-4 shares. Prospective purchasers sign and file with the department a "Bid to Purchase" form which must be guaranteed by either a clearing firm or accompanied by a certified or cashier's check. The department posts bids, offers and last trade prices for purchase of trading rights and for trading

rights bundled with their associated restricted Class A-1, A-2, A-3 and A-4 shares. The department then matches the highest bid to buy with the lowest offer to sell.

Other Business Relationships and Subsidiaries

GFX Corporation. GFX Corporation, a wholly owned subsidiary of CME, was established in 1997 for the purpose of maintaining and creating liquidity in our foreign exchange futures contracts. GFX expanded its business model in 2002 to allow for the trading of interest rate products. GFX accounted for 0.7%, 1.0% and 2.4% of our consolidated net revenues in 2002, 2001 and 2000, respectively. Experienced foreign exchange and interest rate traders employed by GFX buy and sell our foreign exchange and interest rate futures contracts using our GLOBEX system. They limit risk from these transactions through offsetting transactions using futures contracts and spot foreign exchange transactions with approved counterparties in the interbank market.

CME Trust. The Chicago Mercantile Exchange Trust, or the CME Trust, was established in 1969 to provide financial assistance, on a discretionary basis, to customers of any clearing firm that becomes insolvent. We funded the CME Trust through tax-deductible contributions until June 1996. The CME Trust had approximately $57.8 million, $55.4 million and $52.0 million in net assets as of December 31, 2002, 2001 and 2000, respectively, as a result of contributions, investment income and the absence of any distributions. Trustees of the CME Trust, who are also members of our Board of Directors, have discretion to use the CME Trust to satisfy customer losses in the event a clearing firm fails to or is in such severe financial condition that it cannot meet a customer's obligations, provided that the customer's losses are related to transactions in our contracts. No outside parties, including CME, have any residual interest in the assets of the CME Trust.

Licensing Agreements

Standard & Poor's. We have had a licensing arrangement with Standard & Poor's Corporation since 1980. In 1997, all of our previous licensing agreements with Standard & Poor's were consolidated into one agreement that terminates on December 31, 2013 and includes a clause to negotiate potential extensions in good faith. Under the terms of the agreement, S&P granted us a license to use certain S&P stock indexes and the related trade names, trademarks and service marks in connection with the creation, marketing, trading, clearing and promoting of futures and/or options contracts that are indexed to certain S&P stock indexes. The license is exclusive until December 31, 2008 for S&P stock indexes licensed to us and listed by us prior to September 24, 1997. For contracts granted before September 24, 1997 but not listed before September 24, 1997, the licenses are exclusive for one year with possible extensions, and, once listed, the license will be exclusive upon meeting a certain minimum average trading volume or payment of a fee by us. For contracts granted and listed after September 24, 1997, and upon which we have listed indexed contracts for trading within one year of the grant date, the licenses are exclusive for two years after listing, after which they may be made exclusive for the remainder of the term of the agreement upon meeting a certain minimum average trading volume or payment of a fee by us. These licenses become non-exclusive in the event we and S&P do not agree on an extension or we list certain competitive contracts. We have a right of first refusal for stock indexes not licensed under the license agreement as of September 24, 1997 and that are developed solely by S&P before and during the term of the license agreement. We pay S&P a per trade fee and have made certain lump sum payments in accordance with the terms of our agreement. If S&P discontinues compilation and publication of any license or index, we may license, on a non-exclusive and royalty-free basis, the information regarding the list of companies, shares outstanding and divisors for that index or terminate the obligations regarding the index.

NASDAQ. We have had a licensing arrangement with The NASDAQ Stock Market, Inc. since 1996 to license the NASDAQ-100 Index and related trade names, trademarks and service marks. The license was exclusive for the first three-and-a-half years after trading of the NASDAQ-100 futures

contracts began on April 10, 1996, and remains exclusive subject to the maintenance of certain trading volumes in the NASDAQ-100 futures contracts and options on those contracts. The exclusivity of the license means that NASDAQ will not grant a license to use the NASDAQ-100 Index in connection with the trading, marketing and promotion of futures contracts and options on those contracts that would be traded on any commodity exchange between 9:30 a.m. and 4:15 p.m. Eastern Standard Time or any time during the day on a commodity exchange located in the Western Hemisphere. The exclusivity is also subject to the ability of NASDAQ to allow NASDAQ-100 futures contracts to be traded on any markets that it owns or operates. We have paid a lump sum fee to NASDAQ and pay per trade fees as well. Our NASDAQ-100 license agreement will continue until April 10, 2006, with five-year extensions unless either party gives notice of termination at least 120 days prior to the end of the current period.

NSC. Our license agreement for the NSC software was signed with Paris BourseSBF SA in 1997, and it continues until 2022. The agreement was assigned by Paris BourseSBF SA to Euronext N.V. in 1997. Under the terms of the agreement, Euronext N.V. granted us a nonexclusive license to use the NSC software for the trading of our products and the products of certain other exchanges. The agreement also allows us to specify modifications and enhancements to the NSC software prior to delivery to be made by Paris BourseSBF SA. In addition, we have the right to use our GLOBEX trademark in conjunction with our operation of the electronic trading system based on NSC software. In consideration for the license of the NSC software, we granted Euronext N.V. a license to use and modify CLEARING 21. In December 2002, we acquired the right to offer application service provider, or ASP, services to third parties using the NSC software. We also had a maintenance and development agreement with Euronext N.V., which expired at the end of 2001, under which we paid annual amounts and per day fees for certain services.

Intellectual Property

We regard substantial elements of our brand name, marketing elements and logos, products, market data, software and technology as proprietary. We attempt to protect these elements by relying on trademark, service mark, copyright and trade secret laws, restrictions on disclosure and other methods. For example, with respect to trademarks, we have registered marks in more than 20 countries. We have filed patent applications to protect our technology. Our rights to stock indexes for our futures products principally derive from license agreements that we have obtained from Standard & Poor's, NASDAQ, and other exchanges and institutions. For a more detailed discussion of these licenses, see the section of this Annual Report on Form 10-K entitled "Item 1. Business—Licensing Agreements."

We regularly review our intellectual property to identify property that should be protected, the extent of current protection for that property and the availability of additional protection. We believe our various trademarks and service marks have been registered or applied for where needed. We also seek to protect our software and databases as trade secrets and under copyright law. We have copyright registrations for certain of our software, user manuals, and databases. Recent legal developments allowing patent protection for methods of doing business hold the possibility of additional protection, which we are examining.

Patents of third parties may have an important bearing on our ability to offer certain of our products and services. It is possible that, from time to time, we may face claims of infringement that could interfere with our ability to use technology or other intellectual property that is material to our business.

Employees

As of December 31, 2002, we had 1,156 employees. We consider relations with our employees to be good. We have never experienced a work stoppage. We are not a party to any collective bargaining agreement. However, we employ eight engineers who are associated with the International Union of Operating

Engineers, Local 399, AFL-CIO.

Available Information

Our Web site is *www.cme.com*. Information made available on our Web site does not constitute part of this document. We make available free of charge on our Web site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the United States Securities and Exchange Commission.

Certain Factors that May Affect Our Business

In addition to the other information contained in this Annual Report on Form 10-K, the following risk factors should be considered carefully in evaluating us and our business.

Our shareholders who are members and own trading rights on our exchange, and who may have interests that differ from or conflict with those of shareholders who are not also members, currently own substantially all of our voting stock. Shareholders who own trading rights on our exchange account for 17 of the 20 directors on our Board and currently control the election of all directors. Our dependence on the trading and clearing activities of our members, combined with their ability to control the election of directors, enables them to exert substantial influence over the operation of our business.

As of December 31, 2002, we estimated that our shareholders who own trading rights on our exchange together owned, of record, shares representing approximately 81% of our outstanding Class A common stock. As a result, they, if voting in the same manner, control all matters submitted to our shareholders for approval, including electing directors and approving changes of control. As of December 31, 2002, 17 of the 20 directors on our Board owned or were officers or directors of others who own memberships on our exchange. In addition, we are dependent on the revenues from the trading and clearing activities of our members. This dependence also gives them substantial influence over how we operate our business.

Many of our trading members and clearing firms derive a substantial portion of their income from their trading or clearing activities on or through our exchange. In addition, trading rights on our exchange have substantial independent value. The amount of income that members derive from their trading or clearing activities and the value of their trading rights are, in part, dependent on the fees they are charged to trade, clear and access our markets and the rules and structure of our markets. Our trading members, many of whom act as floor brokers and floor traders, benefit from trading rules, membership privileges and fee discounts that enhance their open outcry trading opportunities and profits. Our predominantly electronic trading members benefit from fee discounts and transaction fee caps that enhance their electronic trading opportunities and profits. Our clearing firms benefit from all of the foregoing, as well as decisions that increase electronic trading, which over time, will reduce their costs of doing business on our exchange. As a result, holders of our Class A common stock may not have the same economic interests as our members. In addition, our members may have differing interests among themselves depending on the role they serve in our markets, their method of trading and the products they trade. Consequently, members may advocate that we enhance and protect their clearing and trading opportunities and the value of their trading privileges over their economic interest in us represented by Class A common stock they own.

The share ownership of our members, in combination with their Board representation rights and charter provision protections described in the immediately following risk factor, could be used to influence how our business is changed or developed, including how we address competition and how we seek to grow our volume and revenue and enhance shareholder value.

Our certificate of incorporation grants special rights to holders of Class B common stock, which protects their trading rights and give them special Board representation, and requires that we maintain open outcry trading until volumes are not significant.

Under the terms of our certificate of incorporation, our Class B shareholders have the ability to protect their rights to trade on our exchange by means of special approval rights over changes to the operation of our markets. In particular, these provisions include a grant to the holders of our Class B common stock of the right to approve any changes to:

- the trading floor rights;
- access rights and privileges that a member has;
- the number of memberships in each membership class and the related number of authorized shares of each class of Class B common stock; and
- the eligibility requirements to exercise trading rights or privileges.

Our Class B shareholders are also entitled to elect six of the 20 directors on our Board. As the transfer restrictions on shares of Class A common stock held by Class B shareholders terminate over time, Class B shareholders will continue to have these Board representation rights, even if their Class A share ownership interest is very small.

Our certificate of incorporation also includes a provision requiring us to maintain open outcry floor trading on our exchange for a particular traded product as long as the open outcry market is "liquid." Our certificate of incorporation requires us to maintain a facility for conducting business, disseminating price information, clearing and delivery and to provide reasonable financial support for technology, marketing and research for open outcry markets. Our certificate of incorporation provides specific tests as to whether an open outcry market will be deemed liquid, as measured on a quarterly basis. If a market is deemed illiquid as a result of a failure to meet any of these tests, our Board will determine whether or not that market will be closed.

We only recently began operating as a for-profit company and have a limited operating history as a for-profit company. Accordingly, our historical and recent financial and business results may not be representative of what they may be in the future.

We have only operated as a for-profit company with private ownership interests since November 13, 2000. We have a limited operating history as a for-profit business on which you can evaluate our management decisions, business strategy and financial results. As a result, our historical and recent financial and business results may not be representative of what they may be in the future. We are subject to risks, uncertainties, expenses and difficulties associated with changing and implementing our business strategy that are not typically encountered by established for-profit companies. The major U.S. futures exchanges have operated historically as mutual, membership organizations. There is little history or experience in operating an exchange as a for-profit corporation upon which we can draw. As a not-for-profit company, our business strategy and fee structure were designed to provide profit opportunities for our members. We targeted profit levels that provided sufficient levels of working capital. Today, our for-profit initiatives are designed to increase our revenues, make us profitable, optimize volume and liquidity and create operating efficiencies. These initiatives may not yield the benefits or efficiencies we expect. For example, fee increases, volume and member discounts and new access rules to our markets may not separately result in higher revenues and profits or greater volume or liquidity in our markets. As a result, we may not be able to operate

effectively as a for-profit corporation. It is possible that we may incur significant operating losses in the future and that we may not be able to achieve or sustain long-term profitability.

Our business is subject to the impact of domestic and international market and economic conditions, many of which are beyond our control and could significantly reduce our trading volumes and make our financial results more volatile.

We generate revenues primarily from our trade execution services, clearing services and market data and information services. We expect to continue to do so for the foreseeable future. Each of these revenue sources is substantially dependent on the trading volume in our markets. Our trading volume is directly affected by U.S. domestic and international factors that are beyond our control, including:

- economic, political and market conditions;
- broad trends in industry and finance;
- changes in levels of trading activity, price levels and price volatility in the derivatives markets and in underlying fixed-income, equity, foreign exchange and commodity markets;
- legislative and regulatory changes;
- competition;
- changes in government monetary policies and foreign exchange rates;
- consolidation in our customer base and within our industry; and
- inflation.

Any one or more of these factors may contribute to reduced activity in our markets. Our recent operating results and trading volume have been favorably impacted by global and domestic economic and geopolitical uncertainty. This is because our customers have sought to hedge or manage the risks associated with volatility in the U.S. equity markets, fluctuations in interest rates and price changes in the foreign exchange and commodities markets. The future economic environment will be subject to periodic downturns, including possible recession and lower volatility in financial markets, and may not be as favorable as it has been in recent years. As a result, period-to-period comparisons of our financial results are not necessarily meaningful. Trends less favorable than those of recent periods could result in decreased trading volume, decreased capital formation and a more difficult business environment for us. Material decreases in trading volume would have a material adverse effect on our financial condition and operating results.

Our operating results are subject to significant fluctuations due to seasonality and a number of other factors. As a result, you will not be able to rely on our operating results in any particular period as an indication of our future performance.

A number of factors beyond our control may contribute to substantial fluctuations in our operating results—particularly in our quarterly results. In the three years prior to 2001, we experienced relatively higher volume during the first and second quarters, and we generally expect that the third quarter will have lower trading volume. This trend was not evident in 2001 or 2002 in part because of the volatility of interest rates and U.S. equities in the third quarter in each of those years. As a result of seasonality and the factors described in the preceding risk factors, you will not be able to rely on our operating results in any particular period as an indication of our future performance. If we fail to meet securities analysts' expectations regarding our operating performance, the price of our Class A common stock could decline substantially.

Our cost structure is largely fixed. If we are unable to reduce our costs if our revenues decline, our profitability will be adversely affected.

Our cost structure is largely fixed. We base our cost structure on historical and expected levels of demand for our products and services. If demand for our products and services and our resulting revenues decline, we may not be able to adjust our cost structure on a timely basis. In that event, our profitability will be adversely affected.

The global trend toward electronic trading may divert volume away from our open outcry trading facilities. Our revenues, profits and stock price will be adversely affected if we experience reductions in our open outcry trading volume that are not offset by increases in our electronic trading volume.

Both newly formed organizations and established exchanges are increasingly employing trading systems that provide fast, low-cost execution of trades by matching buyers and sellers electronically. These organizations are attracting order flow away from some traditional open outcry trading markets. Many market participants believe that these electronic trading systems represent a threat to the continued viability of the open outcry method of trading. Some major European and Asian futures exchanges have closed their traditional open outcry trading facilities and replaced them entirely with electronic systems. Although we offer an electronic trading system, currently approximately 50% of our revenues from clearing and transaction fees are generated by open outcry trading. Reductions in our open outcry trading volume that are not offset by increases in our electronic trading volume would have a material adverse effect on our revenue, earnings and stock price.

The success of our markets will depend on our ability to complete development of and successfully implement electronic marketplaces that have the functionality, performance, reliability, speed and liquidity required by customers.

The future success of our business depends in large part on our ability to create interactive electronic marketplaces in a wide range of derivatives products that have the required functionality, performance, reliability, speed and liquidity to attract and retain customers. A significant portion of our current overall volume is generated through electronic trading of our E-mini S&P 500 and E-mini NASDAQ-100 products. However, during 2002, approximately 63% of our volume and approximately 50% of our clearing and transaction fees revenue was generated through our open outcry trading facilities. Most of that open outcry volume is related to trading in Eurodollar contracts. Until recently, our electronic functionality has not been capable of accommodating the complex trading strategies typically used for trading our Eurodollar contracts. As a result, our electronic trading facilities for these products have met with limited success. We recently implemented a new electronic system upgrade called Eagle. This software is designed to provide the required functionality to replicate electronically some of the trading strategies used by open outcry Eurodollar traders. We are currently developing additional functionality to accommodate more Eurodollar trading strategies. We may not complete the development of or successfully implement the required electronic functionality for our Eurodollar marketplace. Moreover, our Eurodollar customers may not accept our electronic trading systems. In either event, our ability to increase our electronic Eurodollar trading volume would be adversely affected. In addition, if we are unable to develop our electronic trading systems to include other products and markets, or if our electronic marketplaces do not have the required functionality, performance, reliability, speed and liquidity, we may not be able to compete successfully in a new environment that we expect to be increasingly dominated by electronic trading.

We maintain the simultaneous operation of open outcry trading and electronic trade execution facilities, which may, over time, prove to be inefficient and costly and ultimately adversely affect our profitability.

Currently, we maintain both open outcry trade execution facilities and electronic trade execution facilities. For some products, we maintain side-by-side trading facilities for both open outcry and electronic trading. We are obligated, through the inclusion of provisions in our certificate of incorporation, to maintain the operation of our open outcry trading facilities until the trading volumes in them are not significant. If we continue to operate both trading facilities for the same product, liquidity of markets on each may be less than the liquidity of competing markets on a unified trading

platform. In addition, it may be expensive to continue operating two trading systems for the same product. We may incur substantial expenses and experience delays because of our efforts to create trading links between the separate trading platforms to facilitate trading on both systems. Any loss of efficiency or increase in time to market of new or improved products could be detrimental to our business. In addition, we may expend resources on the maintenance of our open outcry facilities that could be more efficiently used to develop our capacity and reduce our costs in the increasingly competitive market for electronic trading facilities.

The development of our electronic trading facilities exposes us to risks inherent in operating in the new and evolving market for electronic transaction services. If we do not successfully develop our electronic trading facilities, or if our customers do not accept them, our revenues, profits and stock price will be adversely affected.

We must further develop our electronic trading facilities to remain competitive. As a result, we will continue to be subject to risks, expenses and uncertainties encountered in the rapidly evolving market for electronic transaction services. These risks include our failure or inability to:

- provide reliable and cost-effective services to our customers;
- develop, in a timely manner, the required functionality to support electronic trading in some of our key products in a manner that is competitive with the functionality supported by other electronic markets;
- match fees of our competitors that offer only electronic trading facilities;
- increase the number of trading and order routing terminals capable of sending orders to our floor and to our electronic trading system;
- attract independent software vendors to write front-end software that will effectively access our electronic trading system and automated order routing system;
- respond to technological developments or service offerings by competitors; and
- generate sufficient revenue to justify the substantial capital investment we have made and will continue to make to develop our electronic trading facilities.

If we do not successfully develop our electronic trading facilities, or our current or potential customers do not accept them, our revenues, profits and stock price will be adversely affected.

Our market data fees may be reduced or eliminated by the growth of electronic trading and electronic order entry systems. If we are unable to offset that reduction through terminal usage fees or transaction fees, we will experience a reduction in revenue.

Electronic trading systems do not usually impose separate charges for supplying market data to trading terminals. If we do not separately charge for market data supplied to trading terminals, and trading terminals with access to our markets become widely available, we would lose quote fee revenue from those who have access to trading terminals. We will experience a reduction in our revenues if we are unable to recover that lost quote fee revenue through terminal usage fees or transaction fees.

Our change to a for-profit company may cause members to seek alternative trading venues and products and negatively impact the liquidity of our markets and our trading volume.

The trading activities of our members accounted for approximately 78% of our trading volume during 2002. When we became a for-profit company, we changed the role of our members in the operation of our business. We eliminated many member-dominated committees or converted them into advisory bodies. We gave our professional staff greater decision-making responsibilities. Subject to the oversight of our Board of Directors, our management is charged with making decisions that are designed to enhance shareholder value, which may lead to decisions or outcomes with which our

members disagree. These changes may make us less attractive to our members and encourage them to conduct their business at, or seek membership in, another exchange or to trade in equivalent products among themselves on a private, bilateral basis. A material decrease in member trading activity would negatively impact liquidity and trading volume in our products and reduce our revenues. A loss or material reduction in the number of our clearing firms and the capital they provide to guarantee their trades and the trades of their customers would also diminish the strength and attractiveness of our clearing house and our markets.

Despite our governance changes, our dependence on our members gives them substantial influence over how we operate our business. Members could use their ownership of Class A and Class B common stock, and ability to elect our Board of Directors, to change or modify our policies or business practices with which they do not agree.

Our trading volume, and consequently our revenues and profits, would be adversely affected if we are unable to retain our current customers or attract new customers to our exchange.

The success of our business depends, in part, on our ability to maintain and increase our trading volume. To do so, we must maintain and expand our product offerings, our customer base and our trade execution alternatives. Our success also depends on our ability to offer competitive prices and services in an increasingly price sensitive business. In addition, our success depends on our ability to increase the base of individual customers who trade our products. We cannot assure you that we will be able to continue to expand our product lines, or that we will be able to retain our current customers or attract new customers. We also cannot assure you that we will not lose customers to low-cost competitors with comparable or superior products, services or trade execution facilities. If we fail to expand our product offerings or execution facilities, or lose a substantial number of our current customers, or are unable to attract new customers, our business will be adversely affected.

We face intense competition from other companies, including some of our members. If we are not able to successfully compete, our business will not survive.

The derivatives, securities and financial services industries are highly competitive. We expect that competition will intensify in the future. Our current and prospective competitors, both domestically and around the world, are numerous. They include securities and securities option exchanges, futures exchanges, over-the-counter, or OTC, markets, clearing organizations, market data and information vendors, electronic communications networks, crossing systems and similar entities, consortia of large customers, consortia of some of our clearing firms and electronic brokerage and dealing facilities. We believe we may also face competition from large computer software companies and media and technology companies. The number of businesses providing Internet-related financial services is rapidly growing. Other companies have entered into or are forming joint ventures or consortia to provide services similar to those provided by us. Others may become competitive with us through acquisitions. Recent changes in federal law allow institutions that have been major participants on our exchange to trade the same or similar products among themselves without utilizing any exchange or trading system. Many of our competitors and potential competitors have greater financial, marketing, technological and personnel resources than we do. These factors may enable them to develop similar products, to provide lower transaction costs and better execution to their customers and to carry out their business strategies more quickly and efficiently than we can. In addition, our competitors may:

- respond more quickly to competitive pressures due to their corporate governance structures, which may be more flexible and efficient than our corporate governance structure;
- develop products that are preferred by our customers;
- develop risk transfer products that compete with our products;
- price their products and services more competitively;

- develop and expand their network infrastructure and service offerings more efficiently;
- utilize better, more user-friendly and more reliable technology;
- take greater advantage of acquisitions, alliances and other opportunities;
- more effectively market, promote and sell their products and services;
- better leverage existing relationships with customers and alliance partners or exploit better recognized brand names to market and sell their services; and
- exploit regulatory disparities between traditional, regulated exchanges and alternative markets that benefit from a reduced regulatory burden and lower-cost business model.

If our products, markets and services are not competitive, our business, financial condition and operating results will be materially harmed. In addition, even if new entrants do not significantly erode our market share, we may be required to reduce our fees significantly to remain competitive, which could have a material adverse effect on our profitability.

The enactment of the Commodity Futures Modernization Act will increase competition and enable many of our customers to trade futures contracts other than on exchanges. These events could result in lower trading volume, revenue and profits.

Our industry has been subject to several fundamental regulatory changes, including changes in the statute under which we have operated since 1974. The Commodity Exchange Act generally required all futures contracts to be executed on an exchange that has been approved by the CFTC. The exchange trading requirement was modified by CFTC regulations and interpretations to permit privately negotiated swap contracts to be transacted in the over-the-counter, or OTC, market. The CFTC exemption under which the OTC derivatives market operated precluded the OTC market from using exchange-like electronic transaction systems and clearing facilities. These barriers to competition from the OTC market were largely repealed by the Commodity Futures Modernization Act. It is possible that the chief beneficiaries of the Commodity Futures Modernization Act will be OTC dealers and competitors that operate or intend to open electronic trading facilities or to conduct their futures business directly among themselves on a bilateral basis. The customers who may access these trading facilities or engage in bilateral private transactions are the same customers who account for a substantial portion of our trading volume. The Commodity Futures Modernization Act also permits banks, broker-dealers and some of their affiliates to engage in foreign exchange futures transactions for or with retail customers without being subject to regulation under the Commodity Exchange Act.

The Commodity Futures Modernization Act also permits bank clearing organizations and clearing organizations regulated by the Securities and Exchange Commission, or SEC, to clear a broad array of derivatives products in addition to the products that these clearing organizations have traditionally cleared. This allocation of jurisdiction may be advantageous to competing clearing organizations and result in a lower volume of trading cleared through our clearing house.

If we are not able to keep up with rapid technological changes, our business will be materially harmed.

To remain competitive, we must continue to improve the responsiveness, functionality, accessibility and other features of our software, network distribution systems and technologies. The markets in which we compete are characterized by rapidly changing technology, changes in customer demand and uses of our products and services, frequent product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render our existing technology and systems obsolete. Our future success will depend in part on our ability to anticipate and adapt to technological advancements and changing standards in a timely, cost-efficient and competitive manner. We cannot assure you that we will successfully implement new technologies or adapt our technology to customer and competitive requirements or emerging industry standards.

Any significant decline in the trading volume of our Eurodollar, S&P 500 or NASDAQ-100 futures and options on futures contracts or in privately negotiated foreign exchange transactions using our clearing house would adversely affect our revenues and profitability.

We are substantially dependent on trading volume from three product offerings for a significant portion of our clearing and transaction fees revenues and profits. The clearing and transaction fees revenues attributable to transactions in our Eurodollar contracts, our S&P 500 and NASDAQ-100 contracts, and privately negotiated foreign exchange transactions using our clearing house were approximately 47%, 10%, 2% and 10%, respectively, of our total clearing and transaction fees revenues during 2001 and approximately 40%, 9%, 2% and 7%, respectively, during 2002. Any significant decline in our trading volume in any of these products would negatively impact our business, financial condition and operating results.

We believe our Eurodollar product serves as a global financial benchmark, but we cannot assure you that, in the future, other products will not become preferred alternatives to the Eurodollar contract as a means of managing or speculating on interest rate risk. We also cannot assure you that competitors will not enter the Eurodollar market, or that our members will not trade Eurodollars in privately negotiated bilateral transactions without the use of our clearing house. In either of these events, our trading volume, revenues and profitability would be adversely affected.

Our rights to the Standard & Poor's and NASDAQ products were obtained through licensing arrangements. Our license agreement with Standard & Poor's provides that the S&P 500 Index futures products will be exclusive until December 31, 2008 and non-exclusive from December 31, 2008 until December 31, 2013.

Our license with NASDAQ will be exclusive for each calendar year until expiration, provided the aggregate average daily trading volume in NASDAQ-100 futures contracts and options on NASDAQ-100 futures contracts remains above 5,000 contracts per day. The agreement terminates in April 2006, subject to our mutual agreement to extend the agreement. The agreement does not preclude NASDAQ from allowing NASDAQ-100 futures contracts to be traded on a market owned by NASDAQ or some of its affiliates.

We cannot assure you that either of our Standard & Poor's or NASDAQ license agreements will be renewed when they terminate. In addition, we cannot assure you that others will not succeed in creating stock index futures based on information similar to that which we have obtained by license or that market participants will not increasingly use alternative instruments, including securities and options based on the S&P and NASDAQ indexes, to manage or speculate on U.S. stock risks. We also cannot assure you that NASDAQ will not directly or indirectly offer competitive futures contracts. Currently, NASDAQ LIFFE Markets, or NQLX, offers futures contracts based on an exchange-traded fund called QQQ, which may compete with our NASDAQ-100 futures contracts. Any of these events could have an adverse effect on our trading volume, revenues and profits.

Some of our largest clearing firms have indicated their belief that clearing facilities should not be owned or controlled by exchanges and should be operated as utilities and not for profit. These clearing firms are seeking legislative or regulatory changes that would, if adopted, enable them to use alternative clearing services for positions established on our exchange. Even if they are not successful, these factors may cause them to limit or stop the use of our markets.

Some of our largest clearing firms, which are significant customers and intermediaries in our products, have increasingly stressed the importance to them of centralizing clearing of futures contracts and options on futures in order to maximize the efficient use of their capital, exercise greater control over their value at risk and extract greater operating leverage from clearing activities. Many clearing firms have expressed the view that clearing firms should control the governance of clearing houses or that clearing houses should be operated as utilities rather than as for-profit enterprises. Some of these firms, along with the Futures Industry Association, are attempting to cause legislative or regulatory changes to be adopted that would facilitate mechanisms or policies that allow market participants to transfer positions from an exchange-owned clearing house to a clearing house owned and controlled by clearing firms. Our strategic business plan is to operate a vertically integrated transaction execution and clearing and settlement business. If these legislative or regulatory changes are adopted, our strategy and business plan may lead clearing firms to establish, or seek to use, alternative clearing houses for clearing positions established on our exchange. Even if they are not successful in their efforts, the factors described above may cause clearing firms to limit or stop the use of our products and markets. If any of these events occur, our revenues and profits would be adversely affected.

Our clearing house operations expose us to substantial credit risk of third parties. Our financial condition will be adversely affected in the event of a significant default.

Our clearing house acts as the counterparty to all trades consummated on or through our exchange. As a result, we are exposed to significant credit risk of third parties, including our clearing firms. We are also exposed, indirectly, to the credit risk of customers of our clearing firms. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. A substantial part of our working capital is at risk if a clearing firm defaults on its obligations to our clearing house and its margin and security deposits are insufficient to meet its obligations. Although we have policies and procedures to help assure that our clearing firms can satisfy their obligations, these policies and procedures may not succeed in detecting problems or preventing defaults. We also have in place various measures intended to enable us to cover any default and maintain liquidity. However, we cannot assure you that these measures will be sufficient to protect us from a default or that we will not be materially and adversely affected in the event of a significant default.

If we experience systems failures or capacity constraints, our ability to conduct our operations would be materially harmed and we could be subjected to significant costs and liabilities.

We are heavily dependent on the capacity and reliability of the computer and communications systems and software supporting our operations. We receive and/or process a large portion of our trade orders through electronic means, such as through public and private communications networks. Our systems, or those of our third party providers, may fail or operate slowly, causing one or more of the following to occur:

- unanticipated disruptions in service to our customers;
- slower response times;
- delays in our customers' trade execution;
- failed settlement of trades;
- incomplete or inaccurate accounting, recording or processing of trades;
- financial losses;
- litigation or other customer claims; and
- regulatory sanctions.

We cannot assure you that we will not experience systems failures from power or telecommunications failure, acts of God, war or terrorism, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, acts of vandalism or similar events. If any of our systems do not operate properly or are disabled, including as a result of system failure, customer error or misuse of our systems, we could suffer financial loss, liability to customers, regulatory intervention or reputational damage that could affect demand by current and potential users of our market.

From time to time, we have experienced system errors and failures that have resulted in some customers being unable to connect to our electronic trading platform or erroneous reporting, such as transactions that were not authorized by any customer or reporting of filled orders as cancelled. In September 2002, we experienced a hardware failure that resulted in a temporary suspension of trading on our GLOBEX platform. The impact of these events has not been material.

Our status as a CFTC registrant requires that our trade execution and communications systems be able to handle anticipated present and future peak trading volume. Heavy use of our computer systems during peak trading times or at times of unusual market volatility could cause our systems to operate slowly or even to fail for periods of time. We constantly monitor system loads and performance and regularly implement system upgrades to handle estimated increases in trading volume. However, we cannot assure you that our estimates of future trading volume will be accurate or that our systems will always be able to accommodate actual trading volume without failure or degradation of performance. For example, in June and July 2002, the volume on our GLOBEX electronic trading platform repeatedly exceeded one million contracts in a single day. During the initial period of increased GLOBEX trading volume, there were instances of connectivity problems or erroneous reports that affected some users of the platform. System failure or degradation could lead our customers to file formal complaints with industry regulatory organizations, file lawsuits against us or cease doing business with us or could lead the CFTC or other regulators to initiate inquiries or proceedings for failure to comply with applicable laws and regulations.

We will need to continue to upgrade and expand our systems as our business grows. Although many of our systems are designed to accommodate additional volume without redesign or replacement, we will need to continue to make significant investments in additional hardware and software to accommodate increased volume. The inability of our systems to accommodate an increasing volume of transactions could constrain our ability to expand our businesses and could cause us to lose business.

We depend on third party suppliers and service providers for a number of services that are important to our business. An interruption or cessation of an important supply or service by any third party could have a material adverse effect on our business.

We depend on a number of suppliers, such as banking, clearing and settlement organizations, telephone companies, online service providers, data processors, and software and hardware vendors for elements of our trading, clearing and other systems, as well as communications and networking equipment, computer hardware and software and related support and maintenance. We cannot assure you that any of these providers will be able to continue to provide these services in an efficient, cost-effective manner or that they will be able to adequately expand their services to meet our needs. An interruption in or the cessation of an important supply or service by any third party and our inability to make alternative arrangements in a timely manner, or at all, would result in lost revenue and higher costs.

Our networks and those of our third party service providers may be vulnerable to security risks, which could result in wrongful use of our information or cause interruptions in our operations that cause us to lose customers and trading volume and result in significant liabilities. We could also be required to incur significant expense to protect our systems.

We expect the secure transmission of confidential information over public networks to continue to be a critical element of our operations. Our networks and those of our third party service providers, our members and our customers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations. Any of these events could cause us to lose customers or trading volume. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by breaches. Although we intend to continue to implement industry-standard security measures, these

measures may prove to be inadequate and result in system failures and delays that could cause us to lose customers, experience lower trading volume and incur significant liabilities.

We operate in a heavily regulated environment that imposes significant costs and competitive burdens on our business.

Although the Commodity Futures Modernization Act significantly reduced our regulatory burdens, we remain extensively regulated by the CFTC. Our international operations may be subject to similar regulations in specific jurisdictions. We have registered in the United Kingdom as a recognized foreign exchange. We may be required to register or become subject to regulation in other jurisdictions in order to accept business from customers in those jurisdictions.

Many aspects of our operations are subject to oversight and regulation by the CFTC. Our activities relating to single stock and narrow-based stock index futures products will also be subject to oversight by the SEC. Our operations are subject to ongoing review and oversight, including:

- the security and soundness of our order routing and trading systems;
- record keeping and record retention procedures;
- the licensing of our members and many of their employees; and
- the conduct of our directors, officers, employees and affiliates.

If we fail to comply with applicable laws, rules or regulations, we may be subject to censure, fines, cease-and-desist orders, suspension of our business, removal of personnel or other sanctions, including revocation of our designation as a contract market. Changes in laws, regulations or governmental policies could have a material adverse effect on the way we conduct our business.

The CFTC has broad powers to investigate and enforce compliance and punish non-compliance with its rules and regulations. We cannot assure you that we and/or our directors, officers and employees will be able to fully comply with these rules and regulations. We also cannot assure you that we will not be subject to claims or actions by the CFTC or other agencies.

Demutualization and utilization of electronic trading systems by traders from remote locations will, among other developments, impact our ability to continue the traditional forms of "self-regulation" that have been an integral part of the CFTC regulatory program. The CFTC is reviewing that impact, and it is unclear at this time whether the CFTC will make modifications to its regulations that will have an adverse effect on the way we conduct our business.

From time to time, it is proposed in Congress that federal financial markets regulators should be consolidated, including a possible merger between the CFTC and the SEC. While those proposals have not been adopted to date, the perceived convergence of product lines offered on the securities and commodity exchanges could make adoption more likely. To the extent the regulatory environment following such consolidation is less beneficial for us, our business could be negatively affected.

From time to time, the President's budget includes a proposal that a transaction tax be imposed on futures and options on futures transactions. While those proposals have not been adopted to date, except for a per-contract fee imposed under the Securities Exchange Act of 1934 on single stock futures and futures on narrow-based stock indexes, the imposition of any such tax would increase the cost of using our products and, consequently, could adversely impact our trading volumes, revenues and profits.

Our compliance and risk management methods might not be effective and may result in outcomes that could adversely affect our reputation, financial condition and operating results.

Generally, the CFTC has broad enforcement powers to censure, fine, issue cease-and-desist orders, prohibit us from engaging in some of our businesses or suspend or revoke our designation as a contract

market or the registration of any of our officers or employees who violate applicable laws or regulations. Our ability to comply with applicable laws and rules is largely dependent on our establishment and maintenance of compliance, audit and reporting systems, as well as our ability to attract and retain qualified compliance and other risk management personnel. We face the risk of significant intervention by regulatory authorities, including extensive examination and surveillance activity. In the case of non-compliance or alleged non-compliance with applicable laws or regulations, we could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers, for damages, which can be significant. Any of these outcomes would adversely affect our reputation, financial condition and operating results. In extreme cases, these outcomes could adversely affect our ability to conduct our business.

Our policies and procedures to identify, monitor and manage our risks may not be fully effective. Some of our risk management methods depend upon evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible by us. That information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events. We cannot assure you that our policies and procedures will always be effective or that we will always be successful in monitoring or evaluating the risks to which we are or may be exposed.

As a financial services provider, we are subject to significant litigation risk and potential securities law liability.

Many aspects of our business involve substantial liability risks. While we enjoy governmental immunity for some of our market-related activities, we could be exposed to substantial liability under federal and state laws and court decisions, as well as rules and regulations promulgated by the SEC and the CFTC. These risks include, among others, potential liability from disputes over terms of a trade, the claim that a system failure or delay caused monetary losses to a customer, that we entered into an unauthorized transaction or that we provided materially false or misleading statements in connection with a transaction. Dissatisfied customers frequently make claims regarding quality of trade execution, improperly settled trades, mismanagement or even fraud against their service providers. We may become subject to these claims as the result of failures or malfunctions of our systems and services we provide. We could incur significant legal expenses defending claims, even those without merit. In addition, an adverse resolution of any future lawsuit or claim against us could have a material adverse effect on our business.

We could be harmed by employee misconduct or errors that are difficult to detect and deter.

There have been a number of highly publicized cases involving fraud or other misconduct by employees of financial services firms in recent years. Misconduct by our employees, including employees of GFX Corporation, our wholly owned subsidiary that engages in proprietary trading in foreign exchange and Eurodollar futures, could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of customers or improper use of confidential information. Employee misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Our employees also may commit errors that could subject us to financial claims for negligence, or otherwise, as well as regulatory actions.

Our acquisition, investment and alliance strategy involves risks. If we are unable to effectively manage these risks, our business will be materially harmed.

To achieve our strategic objectives, in the future we may seek to acquire or invest in other companies, businesses or technologies. Acquisitions entail numerous risks, including the following:

- difficulties in the assimilation of acquired businesses or technologies;

- diversion of management's attention from other business concerns;
- assumption of unknown material liabilities;
- failure to achieve financial or operating objectives; and
- potential loss of customers or key employees of acquired companies.

We may not be able to integrate successfully any operations, personnel, services or products that we have acquired or may acquire in the future.

We also may seek to expand or enhance some of our operations by forming joint ventures or alliances with various strategic partners throughout the world. Entering into joint ventures and alliances also entails risks, including difficulties in developing and expanding the business of newly formed joint ventures, exercising influence over the activities of joint ventures in which we do not have a controlling interest, and potential conflicts with our joint venture or alliance partners. For example, in 2001 we entered into an operating agreement governing OneChicago, our joint venture with CBOE and CBOT, to trade single stock futures and futures based on narrow-based stock indexes. Under the terms of our operating agreement, we own approximately a 40% interest in the joint venture, CBOE owns approximately a 40% interest and CBOT owns a minority interest. Our ability to control key decisions relating to the operation and development of OneChicago will be limited. In addition, under the terms of our operating agreement, until May 31, 2005, we are restricted from in any way engaging in the business of trading, marketing, regulating, selling, purchasing, clearing or settling transactions in single stock futures other than in conjunction with the joint venture. This restriction on our ability to compete applies whether or not we remain part of the joint venture, but it does not apply to futures based on narrow-based stock indexes. In 2002, we entered into an agreement with NYMEX to introduce e-miNY energy futures contracts, which trade on our GLOBEX electronic trading platform and clear at the NYMEX clearing house. During the term of the agreement and for one year thereafter, we are generally prohibited, other than in cooperation with NYMEX, from providing for or facilitating electronic trading in futures or options on futures contracts on any underlying commodity (or index of commodities) that is also the underlying commodity for a product listed for trading by NYMEX. We cannot assure you that any joint venture or alliance that we have entered or may enter into will be successful.

Our ability to successfully trade single stock futures and futures on narrow-based stock indexes may be impaired by statutory and regulatory provisions that limit our natural competitive advantages and expand opportunities for competitors.

The Commodity Futures Modernization Act, which authorized us to trade futures contracts based on individual securities and narrow-based stock indexes, or security futures, prohibited the implementation in connection with these contracts of many traditional features of futures trading that would have made using security futures cheaper, tax advantaged and more efficient than using similar security options and OTC security derivatives. The Commodity Futures Modernization Act also created a system of dual registration and regulation for security futures intermediaries and exchanges that may be costly and burdensome to the intermediaries and the exchanges and may discourage intermediaries and investors from using security futures. The Commodity Futures Modernization Act also eliminated most legal impediments to unregulated trading of security futures or similar products between qualified investors. In addition, foreign exchanges may be allowed to trade similar products under terms that will be more favorable than the terms we are permitted to offer our customers. Finally, security futures are subject to a number of complicated and controversial regulations. As a result, we cannot assure you that we, either directly or through our joint venture, OneChicago, will be successful in offering single stock futures or futures on narrow-based stock indexes.

The imposition in the future of regulations requiring that clearing houses establish linkages with other clearing houses whereby positions at one clearing house can be transferred to and maintained at, or

otherwise offset by a fungible position existing at, another clearing house may have a material adverse effect on the operation of our business.

In connection with the trading of single stock futures and futures on narrow-based stock indexes, the Commodity Futures Modernization Act contemplates that clearing houses will, after an initial period, establish linkages enabling a position in any such product executed on an exchange for which it clears these products to be offset by an economically linked or fungible position on the opposite side of the market that is executed on another exchange utilizing a different clearing house. If, in the future, a similar requirement is imposed with respect to futures contracts generally, the resulting unbundling of trade execution and clearing services would have a material adverse effect on our revenues and profits.

Expansion of our operations internationally involves special challenges that we may not be able to meet, which could adversely affect our financial results.

We plan to continue to expand our operations internationally, including by directly placing order entry terminals with members and/or customers outside the United States and by relying on distribution systems established by our current and future strategic alliance partners. We face certain risks inherent in doing business in international markets, particularly in the regulated derivatives exchange business. These risks include:

- restrictions on the use of trading terminals or the contracts that may be traded;
- becoming subject to extensive regulations and oversight, tariffs and other trade barriers;
- reduced protection for intellectual property rights;
- difficulties in staffing and managing foreign operations; and
- potentially adverse tax consequences.

In addition, we will be required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which we conduct business. These may include laws, rules and regulations relating to any aspect of the derivatives business. To date, we have had limited experience in marketing and operating our products and services internationally. We cannot assure you that we will be able to succeed in marketing our products and services in international markets. We may also experience difficulty in managing our international operations because of, among other things, competitive conditions overseas, management of foreign exchange risk, established domestic markets, language and cultural differences and economic or political instability. Any of these factors could have a material adverse effect on the success of our international operations and, consequently, on our business, financial condition and operating results.

We may not be able to protect our intellectual property rights, which may materially harm our business.

We rely primarily on trade secret, copyright, service mark, trademark and patent law and contractual protections to protect our proprietary technology and other proprietary rights. We have filed two patent applications covering our technology. Notwithstanding the precautions we take to protect our intellectual property rights, it is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization or otherwise infringe on our rights. We also seek to protect our software and databases as trade secrets and under copyright law. We have copyright registrations for certain of our software, user manuals and databases. The copyright protection afforded to databases, however, is fairly limited. While the arrangement and selection of data generally are protectable, the actual data may not be, and others may be free to create databases that would perform the same function. In some cases, including a number of our most important products, there may be no effective legal recourse against duplication by competitors. In addition, in the future, we may have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or

invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources, either of which could adversely affect our business.

Any infringement by us on patent rights of others could result in litigation and adversely affect our ability to continue to provide, or increase the cost of providing, electronic execution services.

Patents of third parties may have an important bearing on our ability to offer certain of our products and services. Our competitors as well as other companies and individuals may obtain, and may be expected to obtain in the future, patents related to the types of products and services we offer or plan to offer. We cannot assure you that we are or will be aware of all patents containing claims that may pose a risk of infringement by our products and services. In addition, some patent applications in the United States are confidential until a patent is issued and, therefore, we cannot evaluate the extent to which our products and services may be covered or asserted to be covered by claims contained in pending patent applications. In general, if one or more of our products or services were to infringe patents held by others, we may be required to stop developing or marketing the products or services, to obtain licenses to develop and market the services from the holders of the patents or to redesign the products or services in such a way as to avoid infringing on the patent claims. We cannot assess the extent to which we may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether we would be able to obtain such licenses on commercially reasonable terms. If we were unable to obtain such licenses, we may not be able to redesign our products or services to avoid infringement, which could materially adversely affect our business, financial condition and operating results.

As a holding company, we are totally dependent on dividends from our operating subsidiary to pay dividends and other obligations.

We are a holding company with no business operations. Our only significant asset is the outstanding capital stock of our subsidiary. As a result, we must rely on payments from our subsidiary to meet our obligations. In February 2003, we declared our first regular quarterly dividend. We intend to continue to pay regular quarterly dividends to our shareholders. We currently expect that the earnings and cash flow of our subsidiary will primarily be retained and used by it in its operations, including servicing any debt obligations it may have now or in the future. Accordingly, our subsidiary may not be able to generate sufficient cash flow to pay a dividend or distribute funds to us in order to allow us to pay a dividend on or make a distribution in respect of our Class A common stock. Our existing credit facility, as well as future credit facilities, other future debt obligations and statutory provisions, may limit our ability to pay dividends.

ITEM 2. PROPERTIES

Our trading facilities and corporate headquarters are located at 30 South Wacker Drive in Chicago, Illinois. We occupy approximately 445,000 square feet of office space under two leases. The term of the first lease expires in November 2003. The term of the second lease has recently been amended and expires in November 2008. Upon the expiration of the first lease in November 2003, all of the office space will be governed by the second lease, under which we have an option on three extensions that will allow us to continue to occupy this office space until November 2026. We also occupy 70,000 square feet of trading floor space under a lease with the CME Trust that expires in 2005. We have an option on three extensions that will allow us to continue to occupy this trading facility until October 2026. We maintain backup facilities for our electronic systems in separate office towers at 10 and 30 South Wacker Drive, and we opened a remote data center in a Chicago suburb that became operational in the third quarter of 2002. We also lease administrative office space in Washington, D.C., and Tokyo, Japan and both administrative and communication equipment space in London, England. We believe our facilities are adequate for our current operations and that additional space can be obtained if needed.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. As of the date of this Annual Report on Form 10-K, we are not a party to or threatened with any litigation or other legal proceeding that, in our opinion, could have a material adverse effect on our business, operating results or financial condition.

On or about November 25, 2002, a former employee filed a three-count complaint against CME in the Circuit Court of Cook County, Illinois (Case No. 02L014905) alleging common law claims of retaliatory discharge, promissory estoppel and unjust enrichment relating to termination of his employment by CME and is seeking damages in excess of $3 million. CME filed a motion to dismiss, and in response, the plaintiff has been given an opportunity to amend his complaint. Based on its investigation to date and advice from legal counsel, management believes these claims are without merit.

In August 2002, the lawsuit relating to Wagner patent 4,903,201 entitled "Automated Futures Trade Exchange" was settled for $15.0 million. The settlement required an initial payment of $5.0 million in September 2002 and requires five subsequent annual payments of $2.0 million each beginning in August 2003. The entire expense related to this settlement was recognized in the third quarter of 2002, at its present value of $13.7 million. In December 2002, we settled a dispute with Euronext-Paris, our licensor of the NSC software, that was the subject of the patent litigation. Under the terms of this settlement, Euronext-Paris has agreed to make payments to us totaling $7.5 million, representing one-half of the total payments agreed to in our settlement of the Wagner patent litigation. These funds will be received in two payments of $3.75 million each, with the first payment received in January 2003 followed by a final payment to be received in December 2003. The present value of the payments to be received was recognized in the fourth quarter of 2002 as a reduction of the patent litigation settlement expense recognized in the third quarter of 2002. In connection with the settlement, we also acquired the right to offer ASP services to third parties using the NSC software.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The disclosure regarding market information and dividends required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2002, under the heading "Share Information" on page 87 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

Record Holders

As of December 31, 2002, there were approximately 2,033 holders of record of our Class A common stock and 1,954 holders of record of our Class B common stock.

Use of Proceeds From Our Initial Public Offering

On December 11, 2002, we completed the initial public offering of our Class A common stock. The managing underwriters for the offering were Morgan Stanley & Co. Incorporated, UBS Warburg LLC, Salomon Smith Barney Inc., J.P. Morgan Securities Inc. and William Blair & Company, L.L.C. The shares of common stock sold in the offering were registered under the Securities Act of 1933, as amended, on a Registration Statement on Form S-1 (Registration No. 333-

90106) that was declared effective by the Securities and Exchange Commission on December 5, 2002. All 5,463,730 shares of Class A common stock registered under the registration statement, including an aggregate of 712,660 shares of Class A common stock covered by an over-allotment option granted by us to the underwriters, were sold at a price to the public of $35.00 per share. Of the 5,463,730 shares sold in the offering, 3,712,660 shares were sold by us and 1,751,070 shares were sold by selling shareholders. The offering did not terminate until after the sale of all of the securities registered on the Registration Statement. The aggregate gross proceeds to us from our initial public offering were approximately $129.9 million. The estimated aggregate net proceeds to us from the offering was approximately $117.5 million, after deducting an aggregate of approximately $9.1 million in underwriting discounts and commissions paid to the underwriters and an estimated $3.3 million in other expenses incurred in connection with the offering. We did not receive any proceeds from the sale of shares by the selling shareholders.

None of the proceeds from the offering were paid, directly or indirectly, to any of our officers or directors or any of their associates, or to any persons owning 10% or more of our outstanding common stock or any of our affiliates. We invested the net proceeds in institutional money market mutual funds pending their use for development of our technology infrastructure, for capital expenditures, to finance possible acquisitions and investments in technology, businesses, products or services, for working capital and for general corporate purposes.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2002, under the heading "Selected Financial Data" on page 25 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2002, on pages 26 through 52 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2002, under the heading "Quantitative And Qualitative Disclosure About Market Risk" on pages 51 through 52 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2002, on pages 53 through 80 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The information required by this Item was previously reported by CME Holdings in a Current Report on Form 8-K, dated May 15, 2002.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is included in CME Holdings' Proxy Statement, dated March 10, 2003, under the headings "Nominees for Equity Directors" on pages 6 through 8, "Nominees for Class B-1 Director" on page 9, "Nominees for Class B-2 Director" on page 10, "Nominees for Class B-3 Director" on page 11, "Members of the Board Not Standing for Election This Year" on pages 12 through 14, "Executive Officers" on pages 18 through 20 and "Section 16(a) Beneficial Ownership Reporting Compliance" on page 46 and is incorporated herein by reference, pursuant to General Instruction G(3).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is included in CME Holdings' Proxy Statement, dated March 10, 2003, under the headings "Directors' Compensation and Benefits" on page 17 and "Executive Compensation" on page 36 through 42 and is incorporated herein by reference, pursuant to General Instruction G(3); provided, however, that the Compensation Committee Report and the Performance Graph contained in the Proxy Statement are not incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this Item is included in CME Holdings' Proxy Statement, dated March 10, 2003, under the heading "Security Ownership of Directors and Executive Officers" on pages 21 through 25 and "Equity Compensation Plan Information" on page 38 and is incorporated herein by reference, pursuant to General Instruction G(3).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is included in CME Holdings' Proxy Statement, dated March 10, 2003, under the heading "Certain Business Relationships" on page 46 and is incorporated herein by reference, pursuant to General Instruction G(3).

ITEM 14. CONTROLS AND PROCEDURES

(a) *Evaluation of Disclosure Controls and Procedures.* Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, we had sufficient procedures for recording, processing, summarizing and reporting information that is required to be disclosed in our periodic filings under the Exchange Act.

(b) *Changes in Internal Controls.* Since the Evaluation Date, there have not been any significant changes in our internal controls or in other factors that could significantly affect such controls.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements and Financial Statement Schedules

(1) Financial Statements

The following Consolidated Financial Statements and related Notes, together with the Report of Independent Auditors with respect thereto, appearing on pages 25 through 80 of CME Holdings' annual report to shareholders are included in Exhibit 13.1 hereto and are incorporated by reference herein:

Report of Independent Auditors

Consolidated Balance Sheets at December 31, 2002 and 2001

Consolidated Statements of Income for the Years Ended December 31, 2002, 2001 and 2000

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

The following Financial Statement Schedules are filed as part of this Annual Report on Form 10-K:

Report of Independent Auditors on Financial Statement Schedules

Schedule I Condensed Financial Information at December 31, 2002 and 2001

Schedule II Valuation and Qualifying Accounts for the Years Ended December 31, 2002, 2001 and 2000

All other schedules have been omitted because the information required to be set forth in those schedules is not applicable or is shown in the consolidated financial statements or notes thereto.

To the Board of Directors of Chicago Mercantile Exchange Holdings Inc.:

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Chicago Mercantile Exchange Holdings Inc. of our report dated January 28, 2003, included in the 2002 Annual Report to Shareholders of Chicago Mercantile Exchange Holdings Inc.

Our audits also included the financial statement schedules of Chicago Mercantile Exchange Holdings Inc. listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/S/ Ernst & Young LLP
Chicago IL
January 28, 2003

Schedule I—Condensed Financial Information of Chicago Mercantile Exchange Holdings Inc. and Subsidiaries

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.
BALANCE SHEETS
(in thousands)

	At December 31	
	2002	2001
		(restated)
Assets		
Cash	$ 120,940	$ —
Investment in CME, net of advances from CME of $3,388 in 2002	325,236	248,366
Total Assets	$ 446,176	$ 248,366
Liabilities and Shareholders' Equity		
Other current liabilities	$ 37	—
Total shareholders' equity	446,139	248,366
Total Liabilities and Shareholders' Equity	$ 446,176	$ 248,366

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.
STATEMENTS OF INCOME
(in thousands)

	Year Ended December 31	
	2002	2001
		(restated)
Revenues		
Interest income	$ 93	$ —
Expenses	—	—
Operating Income Before Income Taxes and Equity in Net Income of CME	93	—
Income tax provision	(37)	—
Income Before Equity in Net Income of CME	56	—
Equity in net income of CME	94,011	75,108
Net Income	$ 94,067	$ 75,108

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.
STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31	
	2002	2001
		(restated)
Cash Flows from Operating Activities:		
Net income	$ 94,067	$ 75,108
Less equity in net income of CME	(94,011)	(75,108)
Changes in:		
Advances from CME	3,388	—
Other current liabilities	37	—

Net Cash Provided by Operating Activities	3,481	—
Cash Flows from Investing Activities:		
Dividend from CME	17,290	—
Net Cash Provided by Investing Activities	17,290	—
Cash Flows from Financing Activities:		
Net proceeds from initial public offering	117,459	—
Cash dividends to shareholders	(17,290)	—
Net Cash Provided by Financing Activities	100,169	—
Net increase in cash and cash equivalents	120,940	—
Cash and cash equivalents, beginning of year	—	—
Cash and Cash Equivalents, End of Year	$ 120,940	$ —

Chicago Mercantile Exchange Holdings Inc. (CME Holdings) was organized in August 2001 to be the holding company for Chicago Mercantile Exchange Inc. (CME). On December 3, 2001, the reorganization of CME into a holding company structure was completed by merging CME into a wholly owned subsidiary of CME Holdings.

Net income and cash flows of CME Holdings has been reflected as if the registrant had been in existence for the entire year 2001 as it was a reorganization of entities under common control as described in Note 1 to the financial statements incorporated by reference in Item 8 of this Form 10-K. CME Holdings, the registrant, has no long-term liabilities, material contingencies or guarantees.

Cash dividends paid to CME Holdings from CME amounted to $17,290,000 in 2002. CME Holdings accounts for its investment in CME under the equity method.

Chicago Mercantile Exchange Holdings Inc. and Subsidiaries
Schedule II—Valuation and Qualifying Accounts
For the Years Ended December 31, 2002, 2001 and 2000
(dollars in thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Revenues	Deductions(1)	Balance at End of Period
Year ended December 31, 2002:					
Allowance for doubtful accounts	$ 962	$ 771	$ —	$ (501)	$ 1,232
Accrued fee adjustments	2,241	—	20,656	(19,760)	3,137
Year ended December 31, 2001:					
Allowance for doubtful accounts	$ 1,700	$ 1,733	$ —	$ (2,471)	$ 962
Accrued fee adjustments	5,215	—	12,149	(15,123)	2,241
Year ended December 31, 2000:					
Allowance for doubtful accounts	$ 350	$ —	$ 1,350	$ —	$ 1,700
Accrued fee adjustments	1,615	—	9,494	(5,894)	5,215

(1) Includes write-offs of doubtful accounts and payments for fee adjustments.

(b) Reports on Form 8-K

On October 25, 2002, CME Holdings filed a Current Report on Form 8-K reporting that on October 24, 2002, it filed with the Securities and Exchange Commission Amendment No. 2 to the Registration Statement on Form S-1 of CME Holdings (File No. 333-90106) relating to the initial public offering of shares of CME Holdings' Class A common stock, par value $.01 per share.

On December 9, 2002, CME Holdings filed a Current Report on Form 8-K reporting that on December 6, 2002, it filed with the Securities and Exchange Commission pursuant to Rule 424(b)(1) under the Securities Act of 1933, as amended, the prospectus relating to the initial public offering of shares of CME Holdings' Class A common stock, par value $.01 per share.

(c) Exhibits

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated as of October 1, 2001, between Chicago Mercantile Exchange Inc., Chicago Mercantile Exchange Holdings Inc. and CME Merger Subsidiary Inc. (incorporated by reference to Exhibit 2.1 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 33-66988).
3.1	Amended and Restated Certificate of Incorporation of Chicago Mercantile Exchange Holdings Inc. (incorporated by reference to Exhibit 3.1 to Chicago Mercantile Exchange Holdings Inc.'s Current Report on Form 8-K, filed with the SEC on December 4, 2001, File No. 0-33379).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Chicago Mercantile Exchange Holdings Inc. (incorporated by reference to Exhibit 3.2 to Chicago Mercantile Exchange Holdings Inc.'s Current Report on Form 8-K, filed with the SEC on May 16, 2002, File No. 0-33379).

3.3	Second Amended and Restated Bylaws of Chicago Mercantile Exchange Holdings Inc., as amended November 7, 2002 (incorporated by reference to Exhibit 3.3 to Chicago Mercantile Exchange Holdings Inc.'s Registration Statement on Form S-1, filed with the SEC on December 5, 2002, File No.333-90106).
4.1	Rights Agreement, dated as of November 30, 2001, between Chicago Mercantile Exchange Holdings Inc. and Mellon Investor Services LLC (incorporated by reference to Exhibit 4.1 to Chicago Mercantile Exchange Holding's Inc.'s Form 8-A, filed with the SEC on December 4, 2001).
4.2	First Amendment to Rights Agreement, dated as of November 13, 2002, between Chicago Mercantile Exchange Holdings Inc., Mellon Investor Services, LLC and Computershare Investor Services, LLC (incorporated by reference to Exhibit 5 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-A, filed with the SEC on November 29, 2002)
10.1**	Chicago Mercantile Exchange Holdings Inc. Amended and Restated Omnibus Stock Plan, amended and restated effective as of April 23, 2002 (incorporated by reference to Exhibit 10.1 to Chicago Mercantile Exchange Holdings Inc.'s Post-Effective Amendment No. 1 to Form S-8, filed with the SEC on July 31, 2002, File No. 33-60266).
10.2**	Chicago Mercantile Exchange Inc. Senior Management Supplemental Deferred Savings Plan, including First Amendment thereto, dated December 14, 1994, Second Amendment thereto, dated December 8, 1998 and Administrative Guidelines thereto (incorporated by reference to Exhibit 10.2 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.3**	Chicago Mercantile Exchange Inc. Directors' Deferred Compensation Plan, including First Amendment thereto, dated December 8, 1998 (incorporated by reference to Exhibit 10.3 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.4**	Chicago Mercantile Exchange Inc. Supplemental Executive Retirement Plan, including First Amendment thereto, dated December 31, 1996, Second Amendment thereto, dated January 14, 1998 and Third Amendment thereto, dated December 1998 (incorporated by reference to Exhibit 10.4 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.5**	Chicago Mercantile Exchange Inc. Supplemental Executive Retirement Trust, including First Amendment thereto, dated September 7, 1993 (incorporated by reference to Exhibit 10.5 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.6**	Agreement, dated February 7, 2000, between Chicago Mercantile Exchange Holdings Inc. and James J. McNulty, including the First Amendment thereto, dated November 28, 2000 and Second Amendment thereto, dated November 13, 2002 (incorporated by reference to Exhibit 10.6 to Chicago Mercantile Exchange Inc.'s Form S-1, filed with the SEC on December 2, 2002, File No. 333-90106).
10.7*	License Agreement, effective as of September 24, 1997, between Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.13 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on March 10, 2000, File No. 33-95561).

10.8***	Amendments to the License Agreement, effective as of September 24, 1997, between Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., and Chicago Mercantile Exchange Inc., including Letter Agreement, dated March 1, 1999; Letter Agreement dated April 14, 1999; Letter Agreement, dated December 26, 2001; Letter Agreement, dated January 17, 2002; Letter Agreement, dated April 22, 2002; and Amendment, effective April 22, 2002.

10.9*	License Agreement, effective as of April 3, 1996, including First Amendment thereto, dated May 5, 1996, between The NASDAQ Stock Market, Inc., a subsidiary of National Association of Securities Dealers, Inc., and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.9 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 33-66988).
10.10*	Central Services System (NSC) Software License and Development Agreement, effective June 5, 1997, including First Amendment thereto, effective February 24, 1998, Second Amendment thereto, effective July 13, 1998, and Third Amendment thereto, effective January 30, 2001, between SBF Bourse de Paris and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.10 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 33-66988).
10.11***	Amendment, dated December 26, 2002, to the Central Services System (NSC) Software License and Development Agreement, effective June 5, 1997, between SBF Bourse de Paris and Chicago Mercantile Exchange Inc.
10.12*	CLEARING 21 Software Marketing and Distribution Agreement Restatement, effective January 30, 2001, between Societe Des Bourses Francaises, and its successor, Euronext-Paris, and Chicago Mercantile Exchange Inc. and New York Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.12 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 33-66988).
10.13***	Non-Termination Agreement, effective December 26, 2002, Regarding the CLEARING 21 Software Marketing and Distribution Agreement Restatement, effective January 30, 2001, between Societe Des Bourses Francaises, and its successor, Euronext-Paris, and Chicago Mercantile Exchange Inc. and New York Mercantile Exchange Inc. and Amendment No. 1, dated December 26, 2002, to the CLEARING 21 Software Marketing and Distribution Agreement Restatement, effective January 30, 2001, between Societe Des Bourses Francaises, and its successor, Euronext-Paris, and Chicago Mercantile Exchange Inc. and New York Mercantile Exchange Inc.
10.14	Lease, dated as of November 11, 1983, between Chicago Mercantile Exchange Trust (successor to CME Real Estate Co. of Chicago, Illinois) and Chicago Mercantile Exchange Inc., including amendment thereto, dated as of December 6, 1989 (incorporated by reference to Exhibit 10.14 to Chicago Mercantile Exchange Inc.'s Form S-4 dated February 24, 2000, File No. 33-95561).

10.15	Lease, dated March 31, 1988, between EOP—10 & 30 South Wacker, L.L.C., as beneficiary of a land trust, dated October 1, 1997, and known as American National Bank and Trust Company of Chicago Trust No. 123434 (as successor in interest to American National Bank and Trust Company of Chicago, not individually but solely as trustee under Trust Agreement dated June 2, 1981 and known as Trust No. 51234) and Chicago Mercantile Exchange Inc. relating to 10 South Wacker Drive, including First Amendment thereto, dated as of November 1, 1999 (incorporated by reference to Exhibit 10.15 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561), second amendment thereto, dated January 7, 2002, Third Amendment thereto, dated May 3, 2002, Fourth Amendment thereto, dated August 22, 2002 and Fifth Amendment thereto, dated October 1, 2002 (incorporated by reference to Exhibit 10.12 to Chicago Mercantile Exchange Holdings Inc.'s Form S-1, filed with the SEC on December 2, 2002, File No. 333-90106).
10.16	Lease, dated May 11, 1981, between EOP—10 & 30 South Wacker, L.L.C., as beneficiary of a land trust, dated October 1, 1997, and known as American National Bank and Trust Company of Chicago Trust No. 123434-06 (as successor in interest to American National Bank and Trust Company of Chicago, not individually but solely as trustee under Trust Agreement dated March 20, 1980 and known as Trust No. 48268) and Chicago Mercantile Exchange Inc. relating to 30 South Wacker Drive, including First Amendment thereto, dated as of February 1, 1982, Second Amendment thereto, dated as of April 26, 1982, Third Amendment thereto, dated as of June 29, 1982, Fourth Amendment thereto, dated as of July 28, 1982, Fifth Amendment thereto, dated as of October 7, 1982, Sixth Amendment thereto, dated as of July 5, 1983, Seventh Amendment thereto, dated as of September 19, 1983, Eighth Amendment thereto, dated as of October 17, 1983, Ninth Amendment thereto, dated as of December 3, 1984, Tenth Amendment thereto, dated as of March 16, 1987, Eleventh Amendment thereto, dated as of January 1, 1999, Twelfth Amendment thereto, dated as of June 30, 1999 (incorporated by reference to Exhibit 10.16 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.17	Credit Agreement, dated as of October 18, 2002, among Chicago Mercantile Exchange Inc., each of the banks from time to time party thereto and the Bank of New York, as collateral agent (incorporated by reference to Exhibit 10.14 to Chicago Mercantile Exchange Holdings Inc.'s Registration on Form S-1 filed with SEC on November 12, 2002, File No. 333-90106).
10.18**	Agreement, dated November 1, 2002 between Chicago Mercantile Exchange Inc. and Craig S. Donohue.
13.1	Specified portions of Chicago Mercantile Exchange Holdings Inc.'s annual report to shareholders for the year ended December 31, 2002.
21.1	List of Subsidiaries of Chicago Mercantile Exchange Holdings Inc. (incorporated by reference to Exhibit 21.1 to Chicago Mercantile Exchange Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001, filed with SEC on March 28, 2002).

23.1	Consent of Ernst & Young LLP.
99.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Confidential treatment pursuant to Rule 406 of the Securities Act has been previously granted by the SEC.

** Management contract or compensatory plan or arrangement.

*** Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Exchange Act.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago and State of Illinois on the 21st day of March, 2003.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

By: /s/ DAVID G. GOMACH

David G. Gomach
Managing Director and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 21, 2003.

Signature	Title
/s/ JAMES J. MCNULTY James J. McNulty	President and Chief Executive Officer and Director
/s/ TERRENCE A. DUFFY Terrence A. Duffy	Chairman of the Board and Director
/s/ DAVID G. GOMACH David G. Gomach	Managing Director and Chief Financial Officer
/s/ NANCY W. GOBLE Nancy W. Goble	Managing Director and Chief Accounting Officer
/s/ TIMOTHY R. BRENNAN Timothy R. Brennan	Director
/s/ JOHN W. CROGHAN John W. Croghan	Director
/s/ MARTIN J. GEPSMAN Martin J. Gepsman	Director

/s/ DANIEL R. GLICKMAN Daniel R. Glickman	Director

/s/ SCOTT GORDON	Director
Scott Gordon	
/s/ YRA G. HARRIS	Director
Yra G. Harris	
/s/ BRUCE F. JOHNSON	Director
Bruce F. Johnson	
/s/ GARY M. KATLER	Director
Gary M. Katler	
/s/ PATRICK B. LYNCH	Director
Patrick B. Lynch	
/s/ LEO MELAMED	Director
Leo Melamed	
/s/ JOHN D. NEWHOUSE	Director
John D. Newhouse	
/s/ JAMES E. OLIFF	Director
James E. Oliff	
/s/ WILLIAM G. SALATICH, JR.	Director
William G. Salatich, Jr.	
/s/ JOHN F. SANDNER	Director
John F. Sandner	

/s/ MYRON S. SCHOLES	Director
Myron S. Scholes	
/s/ VERNE O. SEDLACEK	Director
Verne O. Sedlacek	
/s/ WILLIAM R. SHEPARD	Director
William R. Shepard	
/s/ HOWARD J. SIEGEL	Director
Howard J. Siegel	

CERTIFICATIONS

I, James J. McNulty, Chief Executive Officer of the Company, certify that:

(1) I have reviewed this annual report on Form 10-K of Chicago Mercantile Exchange Holdings Inc.;

(2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

(3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

(6) The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 21, 2003

/s/ JAMES J. MCNULTY

Name: James J. McNulty
Title: *Chief Executive Officer*

I, David G. Gomach, Chief Financial Officer of the Company, certify that:

(1) I have reviewed this annual report on Form 10-K of Chicago Mercantile Exchange Holdings Inc.;

(2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

(3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report:

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

(6) The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 21, 2003

/s/ DAVID G. GOMACH

Name: David G. Gomach
Title: *Chief Financial Officer*

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Exhibit 10.8

Portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. The omissions have been indicated by asterisks ("*****"), and the omitted text has been filed separately with the Securities and Exchange Commission.

[CHICAGO MERCANTILE EXCHANGE LETTERHEAD]

March 1, 1999

Via Facsimile
John Zwingli, Group Vice President
Standard & Poor's
65 Broadway
New York, New York 10006

Re: Amendment to CME-S&P License Agreement

Dear Mr. Zwingli:

Pursuant to Section 2(e) of the license agreement ("Agreement") between the Chicago Mercantile Exchange ("CME") and Standard & Poor's ("S&P"), dated September 24, 1997, the CME requests that Appendix 1 and Appendix 2 of the Agreement be amended to include the **S&P EURO INDEX** and the **S&P EURO PLUS INDEX**. Notwithstanding this amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

Please acknowledge your receipt and acceptance of this amendment by signing below and returning this letter to us at your earliest convenience. If you have any questions or comments, please do not hesitate to call Michael Weiner at (312) 930-3042.

Sincerely,

/s/ Craig S. Donohue

Craig S. Donohue

Agreed and Accepted:

By: /s/ John C. Zwingli
John C. Zwingli, Group Vice President
Standard & Poor's

cc: David Stafford

[CHICAGO MERCANTILE EXCHANGE LETTERHEAD]

April 14, 1999

Mr. Robert A. Shakotko
Senior Vice President, Index Services
Standard & Poor's, A Division of The McGraw-Hill Companies, Inc.
25 Broadway
New York, NY 10004-1064

Dear Mr. Shakotko:

This letter serves to amend Section 9 of the License Agreement ("Agreement") between Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and the Chicago Mercantile Exchange ("CME"), dated September 24, 1997. The amended text of Section 9 of the Agreement is provided below with additions underscored.

(b) Calculation and Dissemination of Index Values. S&P or its agent shall compute and, in a manner reasonably satisfactory to CME, disseminate to CME, the value of each of the S&P Stock Indices at least once every fifteen seconds during normal trading hours. The foregoing shall be at S&P's expense, except that S&P shall not be obligated to pay for any hardware, software, communications or similar expenses associated with the receipt by CME of S&P Stock Index values. S&P, or its agent, shall provide CME each trading day with respect to each S&P Stock Index licensed to CME hereunder a special opening quotation for use in settling Indexed Contracts based on such S&P Stock Index as well as the percentage of underlying stocks that have opened trading that day in the primary market or that have resumed trading after a trading halt in the primary market. With respect to the S&P Euro Index and S&P Euro Plus Index, S&P, or its agent, shall provide CME, on the days of determination of the Final Settlement Price as designated by CME, with a special ***** quotation for use in settling contracts based on these Indices. The special ***** quotation shall be based on *****. Of the *****, shall constitute the special ***** quotation.

Subject to Section 13 hereof, S&P shall use its best efforts: (1) to ensure the correct and timely calculation and dissemination of the S&P Stock Indices; (2) maintain a backup to verify the calculation of the S&P Stock Indices on a continuing basis; (3) take extra precautions to verify the accuracy of the daily closing index values; and (4) inform CME each day of the closing numbers for each of the S&P Stock Indices as soon as practicable after the closing of trading of the underlying stocks.

Please review these proposed changes at your earliest convenience and acknowledge your acceptance by signing in the space provided below. Do not hesitate to contact Mr. John Labuszewski at 312-466-7469 in the CME Research Department should you have any questions or comments regarding this matter.

Sincerely,

/s/ Richard J. McDonald

Richard J. McDonald
Senior Vice President, Research
and Chief Economist

/jwl

Agreed and Acknowledged:

/s/ Robert Shakotko
Standard & Poor's

[CHICAGO MERCANTILE EXCHANGE LETTERHEAD]

December 26, 2001

<u>Via Facsimile</u>
Mr. Robert Shakotko
Managing Director
Standard & Poor's
55 Water Street
New York, New York 10041

Re: Amendment to CME-S&P License Agreement for the S&P E-mini MidCap 400 Index

Dear Mr. Shakotko:

Pursuant to the license agreement ("Agreement") between the Chicago Mercantile Exchange ("CME") and Standard & Poor's ("S&P"), dated September 24, 1997, CME requests that Appendix 1 and Appendix 2 of the Agreement be amended to include the **S&P E-mini MidCap 400 Index**. CME further requests that Section 5(g) be added to the Agreement, as follows:

(g) *S&P E-Mini MidCap 400 Contract*. In the event CME, in addition to but not in lieu of its current S&P MidCap 400 Contract, lists for trading Indexed Contracts based on the S&P MidCap 400 Index having a contract multiplier *****, CME shall pay S&P a per-trade license fee for the ***** equal to the license fee payable hereunder for the S&P MidCap 400 Contract at the time the ***** is listed, multiplied ***** minus the percentage reduction in the size of the contract multiplier between the original S&P MidCap 400 Contract and the *****.

Except as modified hereby, all of the terms and conditions of the Agreement shall remain in full force and effect.

Please acknowledge your receipt and acceptance of this amendment by signing below and returning this letter to us at your earliest convenience. If you have any questions or comments, please do not hesitate to call Matthew Kelly at (312) 930-3046.

Sincerely,

/s/ Matthew J. Kelly

Matthew J. Kelly

AGREED AND ACCEPTED:

By: /s/ Robert Shakotko
Robert Shakotko
Managing Director
Standard & Poor's

cc: Mr. David Stafford

[CHICAGO MERCANTILE EXCHANGE LETTERHEAD]

January 17, 2002

<u>Via Facsimile</u>
Robert Shakotko
Managing Director
Standard & Poor's Index Services
55 Water Street, 42nd Floor
New York, New York 10041

Re: Amendment to CME-S&P License Agreement for S&P/TOPIX 150 Index

Dear Mr. Shakotko:

Pursuant to Section 2(e) of the license agreement ("Agreement") between the Chicago Mercantile Exchange ("CME") and Standard & Poor's ("S&P"), dated September 24, 1997, as amended, CME requests that Appendix 1 and Appendix 2 of the Agreement be amended to include the **S&P/TOPIX 150 INDEX**.

It is agreed, however, that (i) Section 3 of the Agreement shall not apply to the S&P/TOPIX 150 Index and its associated trademarks, in that S&P's license to CME in connection therewith shall be nonexclusive and (ii) since "TOPIX" is a trademark of the Tokyo Stock Exchange, it shall for purposes of the Agreement be treated the same as the "BARRA" trademark insofar as the parties' representations, warranties, rights, covenants and agreements are concerned, and S&P hereby represents to CME that it has obtained the Tokyo Stock Exchange's consent to the sublicensing by S&P to CME of the "TOPIX" trademark in connection with the creation, marketing, trading, clearing and promotion of S&P/TOPIX 150 Indexed Contracts under the terms of the Agreement.

In addition, CME requests that Section 5(a) of the Agreement be amended to read as follows (additions are indicated by underlines):

5. LICENSE FEES.

(a) Basic License Fee. Except as provided below, and subject to the terms and conditions of this Agreement, CME shall pay S&P ***** for each trade of an Indexed Contract (except the S&P MidCap 400 for which the fee shall be ***** per trade), through October 21, 1997, and ***** per trade of an Indexed Contract after October 21, 1997, and through and including the date on which this Agreement is terminated or expires pursuant to the terms hereof except for the S&P TOPIX 150 for which the fee shall be as described below.

CME shall pay S&P ***** fox each trade of a S&P/TOPIX 150 Indexed Contract at CME through and including the date on which this Agreement is terminated or expires pursuant to the terms hereof unless during the term of this Agreement the ***** of traded S&P/TOPIX 150 Indexed Contracts exceeds *****. With respect to the ***** during which the ***** of traded S&P/TOPIX 150 Indexed Contracts exceeds 5000 and for the *****, CME shall pay S&P ***** for each traded S&P/TOPIX 150 Indexed Contract, through and including the date on which this Agreement is terminated or expires pursuant to the terms hereof. The initial multiple for the S&P/TOPIX 150 Index shall be *****, which is ***** times the current size of the S&P/TOPIX 150 Index traded on the Tokyo Stock Exchange. The ***** of S&P/TOPIX 150 Indexed Contracts shall be determined by *****.

For the Indexed Contract base notwithstanding this amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

Please acknowledge your receipt and acceptance of this amendment by signing below and returning this letter to us at your earliest convenience. If you have any questions or comments, please do not hesitate to call Matthew Kelly at (312) 930-3046.

Sincerely,

/s/ Matthew J. Kelly

Matthew J. Kelly

Agreed and Accepted:

By /s/ Robert Shakotko
Robert Shakotko
Managing Director
Standard & Poor's

cc: David Stafford

[STANDARD & POOR'S LETTERHEAD]

April 22, 2002

Mr. James J. McNulty
President and Chief Executive Officer
Chicago Mercantile Exchange
30 South Wacker Drive
Chicago, Illinois 60606

Re: Amendment to CME-S&P License Agreement for S&P 500 GICS Sector Indices

Dear Jim:

Pursuant to Section 2(e) of the license agreement ("Agreement") between the Chicago Mercantile Exchange ("CME") and Standard & Poor's ("S&P"), dated September 24, 1997, as amended, S&P agrees to CME's request that Appendix 1 and Appendix 2 of the Agreement be amended to include: (i) the following S&P 500 Sector Indices: Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financials, Information Technology, Telecommunication Services, and Utilities; and (ii) the associated sub-indices measuring the performance of companies included in the S&P 500 industry groups and sub-industry groups, as identified and described from time to time on S&P Index Services Group's web site (spglobal.com), all of which are based on S&P's and MSCI's Global Industry Classification Standard (GICS). The sector indices and sub-indices referred to in (i) and (ii) above are collectively referred to herein as the "S&P 500 GICS Sector Indices."

In addition, S&P agrees to CME's request that Section 5(a) of the Agreement be amended and restated to read in its entirety as follows:

"5. LICENSE FEES.

(a) *Basic License Fee.* Except as provided below, and subject to the terms and conditions of this Agreement, CME shall pay S&P ***** for each trade of an Indexed Contract (except the S&P MidCap 400 for which the fee shall be ***** per trade) through October 21, 1997, and ***** per trade of an Indexed Contract after October 21, 1997, and through and including the date on which this Agreement is terminated or expires pursuant to the terms hereof except for the S&P/TOPIX 150 and the S&P 500 GICS Sector Indices, for which the fee shall be as described below.

CME shall pay S&P ***** for each trade of an S&P/TOPIX 150 Indexed Contract at CME through and including the date on which this Agreement is terminated or expires pursuant to the terms hereof, unless during the term of this Agreement the ***** of traded S&P/TOPIX 150 Indexed Contracts exceeds *****. With respect to the ***** during which the ***** of traded S&P/TOPIX 150 Indexed Contracts exceeds ***** and for the *****, CME shall pay S&P ***** for each traded S&P/TOPIX 150 Indexed Contract, through and including the date on which this Agreement is terminated or expires pursuant to the terms hereof. The initial multiple for the S&P/TOPIX Index shall be *****, which is ***** times the current size of the S&P/TOPIX 150 Index traded on the Tokyo Stock Exchange. The ***** of S&P/TOPIX 150 Indexed Contracts shall be determined by *****.

CME shall pay S&P ***** for each trade of an S&P 500 GICS Sector Indexed Contract at CME through and including the date on which this Agreement is terminated or expires pursuant to the terms hereof."

For the Indexed Contract based notwithstanding this amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

Please acknowledge your receipt and acceptance of this amendment by signing below and returning this letter to us at your earliest convenience. If you have any questions or comments, please do not hesitate to call Robert Shakotko at (212) 438-3544.

Sincerely,

/s/ Hendrik J. Kranenburg

Hendrik J. Kranenburg

Agreed and Accepted:

By: /s/ James J. McNulty
James J. McNulty
President and Chief Executive Officer
Chicago Mercantile Exchange

AMENDMENT TO LICENSE AGREEMENT

This Amendment to License Agreement ("First Amendment"), effective as of April 22, 2002 (the "Effective Date"), is made by and between STANDARD & POOR'S, a division of The McGraw-Hill Companies, Inc. ("S&P"), a New York corporation having an office at 55 Water Street, New York, New York 10041, and CHICAGO MERCANTILE EXCHANGE INC., successor-in-interest to CHICAGO MERCANTILE EXCHANGE ("CME"), a Delaware corporation having an office at 30 South Wacker Drive, Chicago, Illinois 60606, and amends the License Agreement entered into by S&P and CME on September 24, 1997, as said Agreement has been amended from time to time ("License Agreement").

WHEREAS, pursuant to the License Agreement, S&P *inter alia* granted to CME a non-exclusive worldwide license to disseminate the S&P Stock Indices, in real-time, to and through third-party communications vendors, for information purposes, in connection with creating, marketing, trading, clearing and promoting Indexed Contracts;

WHEREAS, S&P wishes to collect fees from certain third-party communications vendors that receive S&P Stock Indices from CME;

WHEREAS, CME wishes to collect and share in fees from certain third-party communications vendors that receive S&P Stock Indices from CME;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, it is agreed as follows:

1. *Index Value Dissemination Rights.* Section 2(c) of the License Agreement is hereby deleted and replaced with the following:

    Subject to the terms and conditions of this Agreement, S&P further grants to CME a non-exclusive worldwide license to disseminate, at CME's sole expense, the S&P Stock Indices, in real-time, to and through third-party communications vendors, for information purposes, pursuant to the terms and conditions set forth in Appendix 7.

2. *S&P Stock Indices.* Appendix 1 of the License Agreement is hereby deleted and replaced with Attachment A to this Amendment.

3. *Index Value Fee Collection.* Attachment B to this First Amendment is hereby added to the License Agreement as Appendix 7.

4. *Miscellaneous.* Unless otherwise defined in this First Amendment, capitalized terms used in this First Amendment have the same meanings as set forth in the License Agreement. Except as otherwise expressly modified or amended herein, all terms and conditions contained in the License Agreement remain in full force and effect and are not altered or changed by this First Amendment.

IN WITNESS WHEREOF, the parties have caused this First Amendment to be executed the date first set forth above.

CHICAGO MERCANTILE EXCHANGE INC.	**STANDARD & POOR'S**
By: /s/ Glen Madeja	By: /s/ Bo Chuns
Print Name: Glen Madeja	Print Name: Bo Chuns

Title: Director, Information Products	Title: Managing Director Index Services

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QuickLinks

Exhibit 10.8

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Exhibit 10.11

Portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. The omissions have been indicated by asterisks ("*****"), and the omitted text has been filed separately with the Securities and Exchange Commission.

**AMENDMENT TO THE
CENTRAL SERVICES SYSTEM (NSC) SOFTWARE LICENSE AND DEVELOPMENT
AGREEMENT**

BETWEEN:

EURONEXT PARIS, S.A., a corporation organized and existing under the laws of the Republic of France with a stated capital of 130 332 568 Euros and having its principal office at 39, rue Cambon 75001 Paris, FRANCE, registered with the Trade Registry of PARIS under N° B 343 406 732 ("EURONEXT")

AND

CHICAGO MERCANTILE EXCHANGE INC., a corporation organized under the laws of the State of Delaware and having its principal office at 30 South Wacker Drive, Chicago, Illinois 60606 ("CME").

RECITALS:

WHEREAS on June 5, 1997, CME and EURONEXT (formerly SOCIETE DES BOURSES FRANCAISES) executed a certain Central Services System (NSC) Software License and Development Agreement (the "Agreement") pursuant to which EURONEXT granted to CME a license, under certain conditions, to use the NSC System.

WHEREAS, pursuant to Section 2.1 (General Grant) of the Agreement, CME was granted a license, subject to certain conditions, to use the NSC System for the trading only of CME listed products, the products of Approved Exchanges by Authorized Users, and U.S. denominated repurchase agreements involving non-European sovereign debt obligations.

WHEREAS, pursuant to Section 2.2 (Restrictions on Use) of the Agreement, CME may not use the NSC System to provide services to any third party.

WHEREAS, CME wishes to have the right (1) to use the NSC System to trade any type of products and (2) to use the NSC System to provide ASP Services.

WHEREAS, the ownership of the NSC System was assigned by EURONEXT to Atos-Euronext SA, a French limited company incorporated under the laws of France, with offices at Palais de la Bourse, 75002 Paris, and Atos-Euronext SA has authorized EURONEXT to grant CME such rights.

WHEREAS, EURONEXT is willing to grant CME such rights provided CME grants to EURONEXT the right under the Clearing 21® Software License and Development Agreement dated June 5, 1997 between EURONEXT and CME (the "Clearing 21 Agreement") to use the Clearing 21 System (as defined in the Clearing 21 Agreement) to provide certain ASP services to third parties.

WHEREAS, subject to the terms of an Amendment to the Clearing 21 Agreement dated the date hereof, CME has granted such rights to EURONEXT.

NOW THEREFORE, in consideration of the premises and the mutual promises and agreements herein expressed, the parties hereto agree as follows:

1. **Section 1.1.** (Definitions) of the Agreement is hereby amended to include the following new defined terms:

    (cc) "ASP Customer" means any exchange, clearing house, financial institution or other entity that trades Products and has entered into a valid agreement with CME for ASP Services.

    (dd) "ASP Services" means the distribution by CME of Product trade matching services from CME's primary and back-up facilities to ASP Customers on a subscription basis using the NSC System.

    (ee) "ASP Transaction" means a matched trade between two parties (regardless of the size of the trade) which is matched by CME in the context of providing ASP Services to an ASP Customer. For example, (a) a scenario where A sells 10 securities to B constitutes a single ASP Transaction and (b) a scenario where A sells 20 securities, B buys 5 of these securities and C buys 15 of these securities, constitutes two ASP Transactions.

    (ff) "NSC System" means the Licensed Software (including the source and object codes) and the Licensed Materials as defined in the Agreement.

    (gg) "Products" means, without limitation, futures, securities, options and other types of financial or commodity products.

2. **Section 2.1.** (General Grant) of the Agreement is hereby deleted and replaced with the following new Section 2.1:

    Subject to the terms and conditions of this Agreement, from the date of this Agreement, EURONEXT grants to CME and CME accepts, a non-exclusive and non-transferable license to: (a) use the NSC System for the trading of: (i) CME listed Products, (ii) the Products of Approved Exchanges by Authorized Users, (iii) U.S. Dollar denominated repurchase agreements involving non-European sovereign debt obligations, (iv) the Products of any ASP Customer, and (v) such other Products not covered by Subsections (i)—(iv) above which CME and EURONEXT may mutually agree upon, in writing, subsequent to the Effective Date hereof; and (b) use the NSC System to provide ASP Services to any ASP Customer, and (c) modify and enhance the Licensed Software. The uses permitted by Subsections (a), (b) and (c) above shall be at the locations selected from time to time by CME and on the hardware configuration designated by CME. The licenses granted by EURONEXT to CME hereunder include the right to permit the operation of the NSC System by a wholly owned subsidiary of Chicago Mercantile Exchange Holdings Inc. CME shall provide EURONEXT with written notice of the locations and hardware configuration designated by CME to operate the Licensed Software. If CME chooses to operate the NSC System on a hardware configuration that has not been approved by EURONEXT, CME accepts sole responsibility for the results of such operation.

2. **Section 2.2.** (Restrictions on Use) of the Agreement is hereby deleted and replaced with the following new Section 2.2:

CME shall not use the NSC System: *****. The foregoing restrictions shall not apply to any Common Software incorporated into the Licensed Software for which CME has obtained a separate license. In the event that CME incorporates any portion of the Licensed Software into other systems or programs owned or operated by CME, *****.

3. The following **Section 4.8** is hereby added to the Agreement:

ASP Services Fees. For each ASP Transaction matched by CME using the NSC System, CME shall pay to EURONEXT *****. Payment is due within ***** days of the end of each *****.

4. The following **Section 4.9** is hereby added to the Agreement:

ASP Services Reporting. Within ***** days of the end of each ***** during the term of the Agreement, CME must notify EURONEXT in writing of the number of ASP Transactions matched by CME during the preceding ***** ("***** Statement"). EURONEXT or its authorized

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representative shall have the right, upon reasonable notice, by independent audit and at its own respective expense, to audit CME's records as they affect amounts payable under this Agreement. If any such audit results in a determination that there has been an underpayment greater than ***** of the payment actually made pursuant to the last ***** Statement, then the costs of the audit shall be borne by CME.

5. **Article 6** (Product Warranties) of the Agreement is hereby amended to include the following new paragraph:

Nothing in this Agreement shall be construed as a representation made or a warranty given by EURONEXT as to the ability of CME to provide ASP Services using the NSC System.

6. **Section 7.1** (Defense of Claim against CME) of the Agreement is hereby renumbered as Section 7.1 (a).

7. **Section 7.1** (Defense of Claim against CME) of the Agreement is hereby amended to include the following new Section 7.1 (b).

Notwithstanding Section 7.1(a), EURONEXT shall not indemnify CME nor save it harmless from any and all costs, losses, damages, liability, claims and demands (collectively "Intellectual Property Claim") incurred by or made against CME arising out of: (a) any allegation of infringement of U.S. patent number 4,903,201 ("Patent") relating to CME's activities asserted to be outside the scope of the license granted CME in Attachment A of the Settlement Agreement of August 23, 2002; (b) any allegation that CME has breached the Settlement Agreement of August 23, 2002 regarding such Patent, including a breach of any provision of Attachment A to said Settlement Agreement; or (c) any allegation of infringement of Patent relating to CME's activities relating to the provision of ASP Services by CME. CME will promptly notify EURONEXT of any such Intellectual Property Claim that is threatened in writing or brought against CME. CME will defend, contest, or settle such Intellectual Property Claim at its sole expense.

8. **Section 7.2** (Defense of Claims against EURONEXT) of the Agreement is hereby renumbered as Section 7.2(a).

9. **Section 7.2** (Defense of Claims against EURONEXT) of the Agreement is hereby amended to include the following new Section 7.2(b):

CME agrees that it shall indemnify EURONEXT, its parent(s) and subsidiaries, and save them harmless from any and all costs, losses, damages, liability, claims and demands (collectively "Intellectual Property Claim") arising out of: (a) any allegation of infringement of U.S. patent number 4,903,201 ("Patent") relating to CME's activities asserted to be outside the scope of the license granted CME in Attachment A of the Settlement Agreement of August 23, 2002; (b) any allegation that CME has breached the Settlement Agreement of August 23, 2002 regarding such Patent, including a breach of any provision of Attachment A to said Settlement Agreement; or (c) the grant by Euronext to CME of any rights set forth in this Amendment, beyond those granted in the June 5, 1997 Agreement, including the license to CME to use the NSC System to provide ASP Services. Euronext will promptly notify CME of any such Intellectual Property Claim that is threatened or brought against EURONEXT, its parent(s) or subsidiaries. CME will defend and contest or settle such Intellectual Property Claim, at its sole expense, in its own name and/or in the name of EURONEXT and EURONEXT will co-operate with and assist CME to the extent that such co-operation may reasonably be required.

10. **Section 7.3** (Claim for Infringement) is hereby amended to insert the following language between the first word "If" and the phrase "the Modified Software":

, as a consequence of an Intellectual Property Claim other than an Intellectual Property Claim within Section 7.1(b) or Section 7.2(b),

11. **Section 11.10** (Survival) of this Agreement is hereby amended to include a reference to Section 4.9 (ASP Services Reporting).

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12. All the terms and conditions of the Agreement not modified by the terms of this Amendment shall remain in effect.

13. EURONEXT represents and warrants to CME that it has all rights and powers to execute this Amendment and grant the rights contained herein.

IN WITNESS WHEREOF, CME and EURONEXT had executed this Amendment as of 26 day of December 2002.

CHICAGO MERCANTILE EXCHANGE INC.

/s/ Craig S. Donohue

By: Mr. Craig S. Donohue

Title: Executive Vice-President and Chief Administrative Officer

EURONEXT PARIS, S.A.

/s/ Jean-François Théodore	For Jean-François Théodore
By: Mr. Jean-François Théodore	Patrick Stephan
Title: Chairman and Chief Executive Officer	Executive Director, Legal

ATOS EURONEXT

/s/ Jean de Castries

By: Jean de Castries
Title: Chief Operating Officer

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Exhibit 10.13

Portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. The omissions have been indicated by asterisks ("*****"), and the omitted text has been filed separately with the Securities and Exchange Commission.

**NON-TERMINATION AGREEMENT REGARDING THE CLEARING 21 ®
SOFTWARE MARKETING AND DISTRIBUTION AGREEMENT RESTATEMENT
EFFECTIVE JANUARY 30, 2001**

BETWEEN:

EURONEXT PARIS, S.A., a corporation organized and existing under the laws of the Republic of France with a stated capital of 130 332 568 Euros and having its principal office at 39, rue Cambon 75001 Paris, FRANCE, registered with the Trade Registry of PARIS under N° B 343 406 732 ("EURONEXT")

AND

CHICAGO MERCANTILE EXCHANGE INC., a corporation organized under the laws of the State of Delaware and having its principal office at 30 South Wacker Drive, Chicago, Illinois 60606 ("CME")

AND

NEW YORK MERCANTILE EXCHANGE, INC., a New York Corporation having an office at One North End Avenue, World Financial Center, New York, New York 10281-1101, USA ("NYMEX").

RECITALS:

WHEREAS, EURONEXT, CME, and NYMEX have entered into a Clearing 21 ® Software Marketing and Distribution Agreement (Restatement effective as of January 30, 2001) (the "Remarketing Agreement") pursuant to which EURONEXT may, under certain conditions, promote, market and license the CLEARING 21 Base Product and Derivative Works to Prospective Users.

WHEREAS, pursuant to Section 8.2 of the Remarketing Agreement, the initial term of the Remarketing Agreement shall continue *****.

WHEREAS, further pursuant to Section 8.2 of the Remarketing Agreement, the Remarketing Agreement was to be renewed automatically for successive terms of three years unless, not later than twelve (12) months prior to the expiration of the initial term or any successive term, CME and NYMEX jointly notify EURONEXT of their intentions to terminate the Remarketing Agreement or EURONEXT notifies CME and NYMEX of its intentions to terminate the Remarketing Agreement.

WHEREAS, *****.

WHEREAS, EURONEXT wishes to obtain assurances from CME and NYMEX that they will not terminate the Remarketing Agreement *****.

WHEREAS, EURONEXT, CME and NYMEX wish to amend Section 8.2 of the Remarketing Agreement, subject to the specific terms set forth herein and in accordance with the terms of the Remarketing Agreement that are not significantly amended by this Agreement, to amend the duration and termination timeline for successive terms of the Remarketing Agreement.

NOW THEREFORE, in exchange for ten (10) US dollars and in consideration of the premises and the mutual promises and agreements herein expressed, the parties hereto agree as follows:

ARTICLE 1—TERMINATION PROVISIONS

1.1. CME, EURONEXT, and NYMEX agree that the second and third sentences of **Section 8.2** (Term; Renewal) of the Remarketing Agreement are hereby deleted and replaced with the following sentences:

> The Agreement shall be renewed automatically for successive terms of six (6) months; provided, however, that Licensee may notify Licensors or Licensors, acting jointly, may notify Licensee of their respective intentions to terminate participation in the Agreement at the end of any successive term not later than one (1) month prior to the expiration of such successive term.

1.2. CME and NYMEX shall not, individually or jointly, seek to terminate the Remarketing Agreement at the *****.

ARTICLE 2—GENERAL

2.1. All the terms and conditions of the Remarketing Agreement not modified by the terms of this Agreement shall remain in effect.

2.2. This Agreement contains the complete and exclusive statement of the Agreement between CME, NYMEX and EURONEXT with respect to the subject matter hereof and supercedes all prior and contemporaneous agreements, understandings, proposals, negotiations, representations, or warranties of any kind, whether oral or written.

2.3. All actions arising from disputes initiated by CME or NYMEX in connection with this Agreement shall be heard and finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with said Rules. Resolution of all such disputes shall be governed in all respects by the substantive laws of the Republic of France. The arbitration proceeding related thereto shall be conducted in English. The place of arbitration in such cases shall be Zurich, Switzerland.

All actions arising from disputes initiated by EURONEXT in connection with this Agreement shall be heard and finally settled in the federal or state courts located in the City of New York, State of New York. Resolution of all such disputes shall be governed by the substantive laws of the State of New York without recourse to choice of law principles.

2.4. If any provision of this Agreement is declared by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the parties agree that such invalidity, illegality, or unenforceability shall not affect the validity of the remaining provisions of this Agreement and further agree to substitute for the invalid provision a valid provision which approximates the intent and economic effect of the invalid provision as closely as possible.

IN WITNESS WHEREOF, CME, NYMEX and EURONEXT have executed this Agreement effective this 26 day of December 2002.

CHICAGO MERCANTILE EXCHANGE INC.

/s/ Craig S. Donohue
By: Mr. Craig S. Donohue

Title: Executive Vice-President and Chief Administrative Officer

EURONEXT PARIS, S.A.

/s/ Jean-François Théodore
By: Mr. Jean-François Théodore
Title: Chairman and Chief Executive Officer

For Jean-François Théodore
Patrick Stephan
Executive Director, Legal

NEW YORK MERCANTILE EXCHANGE, INC.

/s/ J. Robert Collins, Jr.
By: Mr. J. Robert Collins, Jr.

Title: President

AMENDMENT NO. 1 TO THE
CLEARING 21 ® SOFTWARE MARKETING AND DISTRIBUTION AGREEMENT
RESTATEMENT EFFECTIVE JANUARY 30, 2001

BETWEEN:

EURONEXT PARIS, S.A., a corporation organized and existing under the laws of the Republic of France with a stated capital of 130 332 568 Euros and having its principal office 39, rue Cambon 75001 Paris, FRANCE, registered with the Trade Registry of PARIS under N° B 343 406 732 (the "Licensee")

AND

CHICAGO MERCANTILE EXCHANGE INC., a corporation organized under the laws of the State of Delaware and having its principal office situated at 30 South Wacker Drive, Chicago, Illinois 60606 ("CME")

AND

NEW YORK MERCANTILE EXCHANGE, INC., a New York Corporation having an office at One North End Avenue, World Financial Center, New York, New York 10281-1101, USA ("NYMEX")

CME and NYMEX are hereinafter referred to together as the "Licensors."

RECITALS:

WHEREAS, CME, NYMEX, and Licensee have entered into a Clearing 21® Software Marketing and Distribution Agreement (Restatement effective as of January 30, 2001) (the "Agreement") pursuant to which Licensee may, under certain conditions, promote, market and license the CLEARING 21 Base Product and Derivative Works to Prospective Users.

WHEREAS, pursuant to Sections 2.4 (Prospective Users Reserved by Licensors) and 3.4 (Excluded Prospective Users) of the Agreement, CME expressly excluded from the Agreement the right for Licensee to promote, market or sublicense the CLEARING 21 Base Product and Derivative Works to *****.

WHEREAS, Licensors are now willing to authorize Licensee, subject to the specific conditions set forth herein and in accordance with those terms of the Agreement that are not significantly amended by this Amendment, to promote, market or sublicense the CLEARING 21 Base Product and Derivative Works to *****.

NOW THEREFORE, in consideration of the premises and the mutual promises and undertakings herein expressed, Licensors and Licensee hereby agree as follows:

1. **Section 1.1.** (Definitions) of the Agreement is hereby amended to include the following new defined terms:

(s)

"Market Segment" means a group of products that are all traded on the same Cleared Market or Additional Cleared Market and that fall into one of the following categories of products: (a) equity securities, (b) equity options, (c) futures contracts and options on futures contracts, (d) cash transactions of debt, (e) spot transactions of currencies, physical goods, services, commodities, energy, materials and livestock, and (f) all other instruments including, without limitation, all other derivative instruments.

(t) "Cleared Market" means each of the following: LIFFE, London Stock Exchange, London Metal Exchange, International Petroleum Exchange, Intercontinental Exchange, Tradepoint/Virt-x, LCH RepoClear and SwapClear.

(u) "Additional Cleared Markets" means any exchange, trading platform, OTC market or other market other than a Cleared Market for which ***** provides clearing services after the effective date of this Amendment, whether established through a clearing arrangement

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between ***** and a new party or through the merger, acquisition, or consolidation of a Cleared Market with another Cleared Market or party.

(v) "*****" means the *****.

2. **Section 2.4** of the Agreement is hereby amended to include the following new Section 2.4.1:

2.4.1. Notwithstanding Section 2.4. and Schedule 1 hereto, Licensors hereby grant to Licensee and Licensee hereby accepts from Licensors, in accordance with the terms and conditions of this Agreement, an exclusive, non-transferable, worldwide license, only until December 31, 2003, to promote and market the CLEARING 21 Base Product and Derivative Works to ***** and to license and distribute the CLEARING 21 Base Product and Derivative Works to *****, without the right to further sublicense or distribute the same, solely for use by ***** in connection with the clearing and settling of all Market Segments of Cleared Markets and Additional Cleared Markets. Any license arrangement entered into between Licensee and ***** must be documented in a signed, written agreement, which complies in all material respects with the requirements set forth in Section 3.6 hereof ("***** Sublicense Agreement"). The term of the ***** Sublicense Agreement shall not exceed ***** from its date of execution.

3. **Section 3.4** (Excluded Prospective Users) of the Agreement is hereby amended to include the following new Section 3.4.1:

3.4.1 Notwithstanding anything to the contrary in this Agreement, Licensee shall not be entitled to any reimbursements from Licensors for promotion and marketing to ***** pursuant to this Agreement.

4. **Section 5.1** (*****) of the Agreement is hereby amended to include the following new Section 5.1(f):

Notwithstanding any contrary terms contained in this Agreement relating to *****, the following ***** conditions shall apply to the ***** Sublicense Agreement:

(1) *****.

(2) *****.

(3) *****.

(4) *****.

(5) *****.

(6) *****.

(7) *****.

(8) *****.

5. **Section 5.2** (Standard Revenue Sharing) of the Agreement is hereby renumbered as Section 5.2(a).

6. **Section 5.2** (Standard Revenue Sharing) of this Agreement is hereby amended to include the following new Section 5.2(b):

(b) *****.

7. **Section 5.6** (Maintenance Services) of the Agreement is hereby renumbered as Article 5.6(a) and the first sentence of the renumbered Section 5.6(a) is hereby deleted and replaced with the following sentence:

Maintenance services related to any sublicense or sublicense upgrade shall be offered to all Sublicensees by Licensee or its affiliate ATOS-EURONEXT SA, a French limited company incorporated under the laws of France, with offices at Palais de la Bourse, Place de la Bourse, 75002 Paris, France.

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8. **Section 5.6** (Maintenance Services) of the Agreement is hereby amended to include the following new Section 5.6(b):

Notwithstanding the provisions of Section 5.6(a) of the Agreement, with respect to maintenance services provided to *****, CME shall only be entitled to receive from Licensee the greater of ***** per month or ***** of the monthly maintenance fee charged by Licensee to *****.

9. **Schedule 1** (Prospective Users Reserved by CME) of the Agreement is hereby amended to add the following phrase in front of the reference to *****: "Except as expressly permitted in this Agreement,".

10. All the terms and conditions of the Agreement not modified by the terms of this Amendment shall remain in effect.

IN WITNESS WHEREOF, Licensors and Licensee have executed this Amendment on this 26 day of December 2002.

EURONEXT PARIS

/s/ Jean-François Théodore	For Jean-François Théodore
By: Mr. Jean-François Théodore	Patrick Stephan
Title: Chairman and Chief Executive Officer	Executive Director, Legal

CHICAGO MERCANTILE EXCHANGE INC.

/s/ Craig S. Donohue

By: Mr. Craig S. Donohue

Title: Executive Vice-President and Chief Administrative Officer

NEW YORK MERCANTILE EXCHANGE, INC.

/s/ J. Robert Collins, Jr.

By: Mr. J. Robert Collins, Jr.

Title: President

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Exhibit 10.13

Exhibit 10.18

AGREEMENT

THIS AGREEMENT, made and entered into as of this 1st day of November 2002, by and between CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. and CHICAGO MERCANTILE EXCHANGE INC. (collectively, "Employer" or "CME"), a Delaware Business Corporation, having its principal place of business at 30 South Wacker Drive, Chicago, Illinois, and Craig S. Donohue ("Employee").

R E C I T A L S:

WHEREAS, Employer wishes to retain the services of Employee in the capacity of Executive Vice President and Chief Administrative Officer upon the terms and conditions hereinafter set forth and Employee wishes to accept such employment;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties mutually agree as follows:

1) ***Employment.*** Subject to the terms of the Agreement, Employer hereby agrees to employ Employee during the Agreement Term as Executive Vice President and Chief Administrative Officer and Employee hereby accepts such employment. Employee shall report to the Employer's Chief Executive Officer and its Board of Directors, or any successor to the Board of Directors (hereinafter, "Board" shall mean the Board of Directors of Employer and/or any successor thereto). The duties of Employee shall include, but not be limited to, the performance of all duties associated with executive oversight and management of the Legal, Organizational Development, Corporate Development, Shareholder, Government and Corporate Relations Departments. Employee shall be responsible for managing relations between employees and the Board and Board committees. Employee shall be responsible for: the execution of policies formulated by the Board related to the Departments subject to his supervision; the selection and hiring of personnel for those Departments; and the training and establishing of duties and responsibilities for personnel in those Departments. Employee shall devote his full time, ability and attention to the business of Employer during the Agreement Term, subject to the direction of the Chief Executive Officer and Board.

Notwithstanding anything to the contrary contained herein, nothing in the Agreement shall preclude Employee from participating in the affairs of any governmental, educational or other charitable institution, engaging in professional speaking and writing activities, and serving as a member of the board of directors of a publicly held corporation (except for a competitor of Employer), provided Employee notifies the Board prior to his participating in any such activities and as long as the Board does not determine that any such activities interfere with or diminish Employee's obligations under the Agreement. Employee shall be entitled to retain all fees, royalties and other compensation derived from such activities, in addition to the compensation and other benefits payable to him under the Agreement, but shall disclose such fees to Employer.

2) ***Agreement Term.*** Employee shall be employed hereunder for a term commencing on November 1, 2002, and expiring on December 31, 2005, unless sooner terminated as herein provided ("Agreement Term"). The Agreement Term may be extended or renewed only by the mutual written agreement of the parties.

3) ***Compensation.***

a) *Base Salary*. Retroactive to October 9, 2002, and continuing through December 31, 2003, Employer shall pay to Employee a base salary at a rate of $550,000 per annum, payable in accordance with the Employer's normal payment schedule. During the Agreement Term, the Employer shall pay to Employee a base salary at a rate of no less than $550,000 per annum ("Base Salary"), payable in accordance with the Employer's normal payment schedule.

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b) *Bonuses*. Any bonus during the Agreement Term shall be provided at the sole discretion of the Employer.

4) ***Benefits.*** Employee shall be entitled to insurance, vacation and other employee benefits commensurate with his position in accordance with Employer's policies for executives in effect from time to time. Employee acknowledges receipt of a summary of Employer's employee benefits policies in effect as of the date of this Agreement.

5) ***Expense Reimbursement.*** During the Agreement Term, Employer shall reimburse Employee, in accordance with Employer's policies and procedures, for all proper expenses incurred by him in the performance of his duties hereunder.

6) ***Termination.***

a) *Death*. Upon the death of Employee, this Agreement shall automatically terminate and all rights of Employee and his heirs, executors and administrators to compensation and other benefits under this Agreement shall cease, except for compensation which shall have accrued to the date of death, including accrued Base Salary, and other employee benefits to which Employee is entitled upon his death, in accordance with the terms of the plans and programs of CME.

b) *Disability*. Employer may, at its option, terminate this Agreement upon written notice to Employee if Employee, because of physical or mental incapacity or disability, fails to perform the essential functions of his position required of him hereunder for a continuous period of 90 days or any 120 days within any 12-month period. Upon such termination, all obligations of Employer hereunder shall cease, except for payment of accrued Base Salary, and other employee benefits to which Employee is entitled upon his termination hereunder, in accordance with the terms of the plans and programs of CME. In the event of any dispute regarding the existence of Employee's disability hereunder, the matter shall be resolved as follows: (1) by the determination of a physician selected by the Chief Executive Officer of the Employer; (2) Employee shall have the right to challenge that determination by presenting a contrary determination from a physician of his choice; (3) in such event, a physician selected by agreement of the Employee and the Chief Executive Officer of the Employer will make the final determination. The Employee shall submit to appropriate medical examinations for purposes of making the medical determinations hereunder.

c) *Cause*. Employer may, at its option, terminate Employee's employment under this Agreement for Cause. As used in this Agreement, the term "Cause" shall mean any one or more of the following:

(1) any refusal by Employee to perform his duties and responsibilities under this Agreement or violation of any rule, regulation or guideline imposed by a regulatory or self regulatory body having jurisdiction over Employer, as determined after investigation by the Board. Employee, after having been given written notice by Employer, shall have seven (7) days to cure such refusal or violation;

(2) any intentional act of fraud, embezzlement, theft or misappropriation of Employer's funds by Employee, as determined after investigation by the Board, or Employee's admission or conviction of a felony or of any crime involving moral turpitude, fraud, embezzlement, theft or misrepresentation;

(3) any gross negligence or willful misconduct of Employee resulting in a financial loss or liability to the Employer or damage to the reputation of Employer, as determined after investigation by the Board;

(4) any breach by Employee of any one or more of the covenants contained in Section 7, 8 or 9 hereof.

The exercise of the right of CME to terminate this Agreement pursuant to this Section 6(c) shall not abrogate any other rights or remedies of CME in respect of the breach giving rise to such termination.

If Employer terminates Employee's employment for Cause, he shall be entitled to accrued Base Salary through the date of the termination of his employment, other employee benefits to which Employee is entitled upon his termination of employment with Employer, in accordance with the terms of the plans and programs of CME. Upon termination for cause, Employee will forfeit any unvested or unearned compensation or long-term incentives, unless otherwise provided herein or specified in the terms of the plans and programs of CME.

d) *Termination Without Cause*. Upon 30 days prior written notice to Employee, Employer may terminate this Agreement for any reason other than a reason set forth in sections (a), (b) or (c) of this Section 6. If, during the Agreement Term, Employer terminates the employment of Employee hereunder for any reason other than a reason set forth in subsections (a), (b) or (c) of this Section 6:

(1) Employee shall be entitled to receive accrued Base Salary through the date of the termination of his employment, and other employee benefits to which Employee is entitled upon his termination of employment with Employer, in accordance with the terms of the plans and programs of Employer; and

(2) a one time lump sum severance payment equal to 24 months of his Base Salary, as defined herein, as of the date of the Employee's termination.

e) *Voluntary Termination*. Upon 60 days prior written notice to CME (or such shorter period as may be permitted by CME), Employee may voluntarily terminate his employment with CME prior to the end of the Agreement Term for any reason. If Employee voluntarily terminates his employment pursuant to this subsection (e), he shall be entitled to receive accrued Base Salary through the date of the termination of his employment and other employee benefits to which Employee is entitled upon his termination of employment with CME, in accordance with the terms of the plans and programs of CME.

7) ***Confidential Information.*** Employee acknowledges that the successful development of CME's services and products, including CME's trading programs and systems, current and potential customer and business relationships, and business strategies and plans requires substantial time and expense. Such efforts generate for CME valuable and proprietary information ("Confidential Information") which gives CME a business advantage over others who do not have such information. Confidential information includes, but is not limited to the following: trade secrets, technical, business, proprietary or financial information of CME not generally known to the public, business plans, proposals, past and current prospect and customer lists, trading methodologies, systems and programs, training materials, research data bases and computer software; but shall not include information or ideas acquired by Employee prior to his employment with CME if such pre-existing information is generally known in the industry and is not proprietary to CME.

a) Employee shall not at anytime during the Agreement Term *or thereafter*, make use of or disclose, directly or indirectly to any competitor or potential competitor of CME, or divulge, disclose or communicate to any person, firm, corporation, or other legal entity in any manner whatsoever, or for his own benefit and that of any person or entity other than Employer, any Confidential Information. This subsection shall not apply to the extent Employee remains employed by Employer and is required to disclose Confidential Information to any regulatory agency or as otherwise required by law. This subsection shall not apply following termination

for any reason to the extent Employee is required by law to testify in a legislative, judicial or regulatory proceeding, or is otherwise required by law to disclose Confidential Information; provided, however, that following termination for any reason, Employee will promptly notify Employer if Employee is requested by any entity or person to divulge Confidential Information, and will use his best efforts to ensure that Employer has sufficient time to intervene and/or object to such disclosure or otherwise act to protect its interests. Employee shall not disclose any Confidential Information while any such objection is pending.

b) Upon termination for any reason, Employee shall return to Employer all records, memoranda, notes, plans, reports, computer tapes and equipment, software and other documents or data which constitute Confidential Information which he may then possess or have under his control (together with all copies thereof) and all credit cards, keys and other materials and equipment which are Employer's property that he has in his possession or control.

8) ***Non-solicitation.***

a) *General*. Employee acknowledges that Employer invests in recruiting and training, and shares Confidential Information with, it employees. As a result, Employee acknowledges that Employer's employees are of special, unique and extraordinary value to Employer.

b) *Non-solicitation*. Employee further agrees that for a period of one year following the termination of his employment with CME for any reason he shall not in any manner, directly or indirectly, induce or attempt to induce any employee of CME to terminate or abandon his or her employment with CME for any purpose whatsoever.

c) *Reformation*. If, at any time of enforcement of this Section 8, a court holds that the restrictions stated herein are unreasonable, the parties hereto agree that the maximum period, scope or geographical area reasonable under the circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

9) ***Intellectual Property.*** During the Agreement Term, Employee shall disclose to CME and treat as confidential information all ideas, methodologies, product and technology applications that he develops during the course of his employment with CME that relates directly or indirectly to CME's e-commerce business or any other CME business. Employee hereby assigns to CME his entire right, title and interest in and to all discoveries and improvements, patentable or otherwise, trade secrets and ideas, writings and copyrightable material, which may be conceived by Employee or developed or acquired by him during his employment with CME, which may pertain directly or indirectly to the business of the CME. Employee shall at any time during or after the Agreement Term, upon CME's request, execute, acknowledge and deliver to CME all instruments and do all other acts which are necessary or desirable to enable CME to file and prosecute applications for, and to acquire, maintain and enforce, all patents, trademarks and copyrights in all countries with respect to intellectual property developed or which was being developed during Employee's employment with CME.

10) ***Remedies.*** Employee agrees that given the nature of CME's business, the scope and duration of the restrictions in paragraphs 7, 8 and 9 are reasonable and necessary to protect the legitimate business interests of CME and do not unduly interfere with Employee's career or economic pursuits. Employee recognizes and agrees that a breach of any or all of the provisions of Sections 7, 8 and 9 will constitute immediate and irreparable harm to CME's business advantage, for which damages cannot be readily calculated and for which damages are an inadequate remedy. Accordingly, Employee acknowledges that CME shall therefore be entitled to seek an injunction or injunctions to prevent any breach or threatened breach of any such section. Employee agrees to reimburse CME for all costs and expenses, including reasonable attorney's fees and costs, incurred

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by CME in connection with the enforcement of its rights under Sections 7, 8 and 9 of this Agreement.

11) ***Survival.*** Sections 7, 8, 9 and 10 of this Agreement shall survive and continue in full force and effect in accordance with their respective terms, notwithstanding any termination of the Agreement.

12) ***Arbitration.*** Except with respect to Sections 7, 8, and 9, any dispute or controversy between CME and Employee, whether arising out of or relating to this Agreement, the breach of this Agreement, or otherwise, shall be settled by arbitration in Chicago, Illinois, in accordance with the applicable arbitration rules of the American Arbitration Association and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of CME and Employee.

13) ***Notices.*** All notices and other communications required or permitted hereunder shall be in writing and shall be deemed given when (i) delivered personally or by overnight courier to the following address of the other party hereto (or such other address for such party as shall be specified by notice given pursuant to this Section) or (ii) sent by facsimile to the following facsimile number of the other party hereto (or such other facsimile number for such party as shall be specified by notice given pursuant to this Section), with the confirmatory copy delivered by overnight courier to the address of such party pursuant to this Section 13:

If to CME, to:

Terrence A. Duffy
Chairman, Board of Directors
Chicago Mercantile Exchange
30 S. Wacker
Chicago, IL 60606
(312) 930-3000

James J. McNulty
President and Chief Executive Officer
Chicago Mercantile Exchange

30 S. Wacker
Chicago, IL 60606
(312) 930-3100

If to Employee, to:

Craig S. Donohue
2600 Shannon Road
Northbrook, IL 60062
(847)-272-3265

14) ***Severability.*** Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and

enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

15) ***Entire Agreement.*** This Agreement constitutes the entire Agreement and understanding between the parties with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related in any manner to the subject matter hereof. No other agreement or amendment to this Agreement shall be binding upon either party including, without limitation, any agreement or amendment made hereafter unless in writing, signed by both parties.

16) ***Successors and Assigns.*** This Agreement shall be enforceable by Employee and his heirs, executors, administrators and legal representatives, and by CME and its successors and assigns.

17) ***Governing Law.*** This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Illinois without regard to principles of conflict of laws.

18) ***Acknowledgment.*** Employee acknowledges that he has read, understood, and accepts the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

EMPLOYER

/s/ TERRENCE A. DUFFY

Terrence A. Duffy

Date

EMPLOYER

/s/ JAMES J. MCNULTY

James J. McNulty

Date

EMPLOYEE

/s/ CRAIG S. DONOHUE

Craig S. Donohue

Date

QuickLinks

Exhibit 10.18

AGREEMENT
R E C I T A L S

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 13.1

SELECTED FINANCIAL DATA

The following selected income statement and balance sheet data for the years 1998 through 2002 was derived from the consolidated financial statements of Chicago Mercantile Exchange Holdings Inc. and subsidiaries and should be read in conjunction with the audited financial statements, related notes and other financial information included elsewhere herein.

(in thousands, except per share data)	FOR YEAR ENDED OR AT DECEMBER 31 2002	2001 (restated)	2000 (restated)	1999	1998
Income Statement Data:					
Net revenues[1]	$ 453,177	$ 387,153	$ 226,552	$ 210,602	$ 197,165
Operating expenses[2]	298,948	261,387	241,814	203,958	182,972
Limited partners' interest in earnings of PMT Limited Partnership	—	—	(1,165)	(2,126)	(2,849)
Net income (loss)[2]	94,067	75,108	(10,496)	2,663	7,029
Earnings (loss) per share:[2, 3]					
Basic	$ 3.24	$ 2.61	$ (0.36)	$ 0.09	$ 0.24
Diluted	3.13	2.57	—	0.09	0.24
Balance Sheet Data:					
Shareholders' equity[2]	$ 446,139	$ 248,366	$ 166,262	$ 168,663	$ 166,897
Total assets[2]	3,355,016	2,066,878	384,035	303,467	295,090
Other Data:					
Total trading volume (round turn trades)	558,448	411,712	231,110	200,737	226,619
GLOBEX volume (round turn trades)	197,975	81,895	34,506	16,135	9,744
Open interest at year-end (contracts)	18,792	15,039	8,021	6,412	7,282

1 For the years ended December 31, 2002 and 2001, revenues are net of securities lending interest expense. Securities lending transactions began in June 2001.

2 Income statement and balance sheet data for 2001 and 2000 have been restated to reflect the adoption of SFAS No. 123, "Accounting for Stock-Based Compensation." As previously reported, net income (loss) was $68.3 million and ($5.9) for 2001 and 2000, respectively. Basic and diluted earnings per share were $2.37 and $2.33, respectively, for 2001, and the basic loss per share was $0.21 for 2000.

3 Earnings per share are presented as if common stock issued on December 3, 2001 as part of our reorganization into a holding company structure had been outstanding for all periods presented. For 2000, diluted loss per share is not presented, since shares issuable for stock options would have an anti-dilutive effect.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Corporate Structure

We are the largest futures exchange in the United States and the second largest in the world for the trading of futures and options on futures, as measured by 2002 annual trading volume. Our international marketplace brings together buyers and sellers on our trading floors, as well as through our GLOBEX electronic trading platform and privately negotiated transactions. We offer market participants the opportunity to trade futures contracts and options on futures primarily in four product areas: interest rates, stock indexes, foreign exchange and commodities.

Our exchange was organized in 1898 as a not-for-profit membership organization. On November 13, 2000, we became the first U.S. financial exchange to become a for-profit corporation by converting membership interests into shares of common stock. As a result of our conversion into a for-profit corporation, individuals and entities who, at the time, owned trading privileges on our exchange became the owners of all of the outstanding equity of CME. As part of our demutualization, we also purchased all of the assets and liabilities of P-M-T Limited Partnership, or PMT, an Illinois limited partnership that operated the GLOBEX electronic trading platform.

On December 3, 2001, we completed our reorganization into a holding company structure. As a result of the reorganization, CME became a wholly owned subsidiary of CME Holdings. In our reorganization, CME shareholders exchanged their shares for shares of CME Holdings. After the reorganization, these shareholders owned the same percentage of CME Holdings common stock that they previously owned of CME common stock. CME shareholders retained their memberships and trading privileges in CME. Prior to the reorganization, CME Holdings had no significant assets or liabilities. Our financial statements have been prepared as if the holding company structure had been in place for all periods presented.

On December 11, 2002, CME Holdings completed the initial public offering of its Class A common stock. CME Holdings' Class A common stock is now listed on the New York Stock Exchange under the ticker symbol "CME." All 5,463,730 shares of Class A common stock, including an aggregate of 712,660 shares of Class A common stock covered by an over-allotment option granted by CME Holdings to the underwriters, were sold at a price to the public of $35.00 per share. Of the 5,463,730 shares sold in the offering, 3,712,660 shares were sold by CME Holdings and 1,751,070 shares were sold by selling shareholders. The net proceeds to CME Holdings from the offering were approximately $117.5 million, after deducting underwriting discounts and commissions paid to the underwriters and other expenses incurred in connection with the offering. CME Holdings did not receive any proceeds from the sale of shares by the selling shareholders.

As a not-for-profit membership organization, our business strategy and fee structure were designed to offer profit opportunities for our members and to limit our profits beyond that necessary to provide for sufficient working capital and infrastructure investment. Membership provided individuals and clearing firms with exclusive direct access to our markets, allowing them to profit from proprietary trading and customer execution. We provided some infrastructure services at a significant discount or as a membership benefit and, on occasion, offered fee holidays or fee rebates. For example, in 1998 we paid a rebate of $17.6 million to our clearing firms and member brokers, which had a negative impact on our profitability, as did other fee reductions implemented prior to our demutualization. As a result, our financial results for periods prior to our demutualization may not be indicative of such results in subsequent periods. Consequently, comparisons of periods before and after demutualization may not be meaningful.

In conjunction with our demutualization and corporate reorganization, we adopted a for-profit business strategy that has been integrated into our operations. As part of this integration process, we have examined and will continue to examine the fees we charge for our products in order to increase revenues and profitability, provide incentives for members and non-members to use our markets and enhance the liquidity of our markets. To enhance trading volume and promote new products, we offer discounts, some of which may be significant, to our members and non-members to use our markets. In the fourth quarter of 2000 and first quarter of 2001, we implemented changes to our fee structure. These changes included: increasing clearing fees for some products; increasing the daily maximum on GLOBEX fees for our E-mini™ products; implementing fees for order routing, delivery of agricultural

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products and a surcharge for trades executed by one firm and cleared by another clearing firm ("give-ups"); increasing fees for access to our trading floor by members and their employees; increasing fees for the use of certain facilities on our trading floor; reducing GLOBEX fees for interest rate products; and implementing reduced clearing fees for customers achieving certain volume levels in our interest rate products. In addition, we increased the number of GLOBEX access choices, altered the pricing for existing GLOBEX access choices, changed the type of market data offered through our non-professional service offering and increased the price of our professional market data service offering. In contrast to the fee rebates and other fee reductions implemented prior to our demutualization, this new approach to fees has had a significant positive impact on our revenues and profitability. In addition, we maintained a focus on expense discipline and specifically focused expenditures on projects designed to enhance our profitability. The net impact of these factors contributed to the growth in our net income from $7.0 million in 1998 to $94.1 million in 2002.

Overview

As the largest futures exchange in the United States, our revenue is derived primarily from the clearing and transaction fees we assess on each contract traded through our trading venues or using our clearing house. As a result, revenues fluctuate significantly with volume changes, and thus our profitability is tied directly to the trading volume generated. Clearing and transaction fees are assessed based on the product traded, the membership status of the individual executing the trade and whether the trade is completed on our trading floor, through our GLOBEX electronic trading platform or as a privately negotiated transaction. In addition to clearing and transaction fees, revenues include quotation data fees, GLOBEX access fees, communication fees, investment income, including securities lending activities, and other revenue. Our securities lending activities generate interest income and related interest expense. We present securities lending interest expense as a reduction of total revenues on our consolidated statements of income to arrive at net revenues.

Net revenues increased from $197.2 million in 1998 to $453.2 million in 2002. As a result of the increase in trading volume during this time period and the fee changes implemented primarily as a result of our demutualization, the percentage of our revenues derived from clearing and transaction fees increased and represented 78.6% of our net revenues in 2002, compared to 64.2% in 1998.

While volume has a significant impact on our clearing and transaction fees revenue, there are four other factors that also influence this source of revenue: rate structure, mix of products traded, method of trade and the percentage of trades executed by customers who are members compared to non-member customers. Our fee structure is complex, and fees vary depending on the type of product traded. Therefore, our revenue increases or decreases if there is a change in trading or usage patterns. Trades executed through GLOBEX are charged fees for using the electronic trading platform in addition to the clearing fees assessed on all transactions executed on our exchange. Trades executed as privately negotiated transactions also incur additional charges beyond the clearing fees assessed on all transactions. In addition, non-member customers are charged higher fees than customers who are members. Our revenue decreases if the percentage of trades executed by customers who are members increases, and increases if the percentage of trades executed by non-member customers increases, even when our fee structure remains unchanged. As a result, there are multiple factors that can change over time, and these changes all potentially impact our revenue from clearing and transaction fees.

Our quotation data fees represent our second largest source of revenue. Revenue from these fees has increased a total of 21.6% from 1998 to 2002. In 2002, these fees represented 10.8% of our net revenues. In 1998, we began to generate revenue from fees assessed for access to our GLOBEX electronic trading platform. In June 2001, we began to engage in securities lending activities, which has contributed modestly to our net revenues for 2002. Revenue derived from communication fees has remained relatively constant from 1998 to 2002. However, investment income has experienced a decline, primarily as a result of the decline in interest rates since 2000. In general, other revenue has increased in a manner consistent with our net revenues from 1998 to 2002.

Expenses increased from $183.0 million in 1998 to $298.9 million in 2002. The rate of increase in expenses has been lower than the rate of increase in revenues. The majority of our expenses fall into three categories: salaries and benefits; communications and computer and software maintenance; and depreciation and amortization. Additional expenses are also incurred for stock-based compensation, occupancy, professional fees, public relations and promotion and other expenses. Our salaries and benefits expense has increased 58.7% from 1998 to 2002 and represented 38.4% of our total 2002 expenses. A significant component of the increase in expenses, stock-based compensation, began in 2000 and is a non-cash expense that results primarily from the option granted to our Chief Executive Officer as well as other stock-based compensation resulting from stock grants to certain other employees. In addition, in 2000, we incurred $9.8 million of expenses associated with restructuring of management, our demutualization and the write-off of certain internally developed software that could not be utilized as intended. Also, in 2002, we incurred $6.2 million of expense to settle certain patent litigation.

With the exception of license fees paid for the trading of our stock index contracts and a component of our trading facility rent that is related to open outcry trading volume, most of our expenses do not vary directly with changes in trading volume. The number of transactions processed, rather than the number of contracts traded, tends to impact expenses as a result of technology expenses required to process additional transactions. A trade executed on our exchange represents one transaction, regardless of the number of contracts included in that trade. Therefore, total contract trading volume is greater than the number of transactions processed.

Revenues

Our net revenues have grown from $197.2 million in 1998 to $453.2 million in 2002. Our clearing and transaction fees revenues are tied directly to volume and underlying market uncertainty. We attempt to mitigate the downside of unpredictable volume swings through various means, such as increasing clearing fees, creating volume incentives, opening access to new markets and further diversifying the range of products and services we offer. The annual growth in daily trading volume from 1998, when average daily volume was 899,281 contracts, to 2002 is summarized as follows:

	YEAR ENDED DECEMBER 31			
(in round turn trades)	1999	2000	2001	2002
Average Daily Volume	793,425	917,120	1,640,288	2,216,063
Increase (Decrease) from Previous Year	(105,856)	123,695	723,168	575,775
Percentage Increase (Decrease) from Previous Year	(11.8)%	15.6%	78.9%	35.1%

Total trading volume in our interest rate products increased 12.8% in 2002 over 2001. Total trading volume in our equity products rose 103.9% in 2002 over 2001. During 2002, total trading volume in our foreign exchange products increased 8.3% over levels in 2001. Our commodity products total trading volume declined 10.9% in 2002 as compared to 2001. In general, volume increased as a result of economic and geopolitical factors, enhancements to our product and service offerings and expansion of our electronic and other trade execution choices. Global and national economic and political uncertainty generally results in increased trading activity, as our customers seek to hedge, manage or speculate on the risks associated with fluctuations in interest rates, equities, foreign exchange and commodities. In recent periods, our trading volume has been positively affected by the increased volatility in the markets for equity and fixed-income securities. Products and services offered also have a significant effect on volume.We built on earlier successes in our standard S&P 500 and NASDAQ-100 stock index contracts by introducing E-mini versions of the S&P 500 contract in 1997 and the NASDAQ-100 contract in 1999. E-mini contracts are one-fifth the size of the standard contract. These E-mini contracts are traded only through GLOBEX,

our electronic trading platform. In addition, since 1998, we significantly upgraded our GLOBEX electronic trading platform, and, beginning in November 2000, we modified GLOBEX policies to give more users direct access to our markets. A comparison of our average daily trading volume by venue and the related percentage of clearing and transaction fees associated with each venue are illustrated in the table below:

	AVERAGE DAILY VOLUME			APPROXIMATE PERCENTAGE OF CLEARING AND TRANSACTION FEES REVENUES	
(in round turn trades)	1998	2002	Increase	1998	2002
Method of Trade:					
Open Outcry	830,687	1,398,698	568,011	70%	50%
GLOBEX	38,668	785,615	746,947	9	42
Privately Negotiated	29,926	31,750	1,824	21	8
Total	899,281	2,216,063	1,316,782	100%	100%

While the increase in clearing and transaction fees generally has resulted from increased trading volume, the largest factors contributing to the increase in clearing and transaction fees from 1999 to 2000 were the rate increases and new transaction fees implemented in the fourth quarter of 2000, after our demutualization. Additional revenue was also generated in 2000 by the 15.1% increase in total trading volume and an increase in the percentage of trades executed through GLOBEX. Partially offsetting these increases was a decrease in the percentage of trades attributable to non-member customers, who are charged higher fees than members, and a decrease in the percentage of total volume attributable to our standard equity products, from which we earn higher clearing fees than other contracts. By contrast,the increase in clearing and transaction fees from 2000 to 2001 resulted primarily from the increase in trading volume and was augmented by the rate increases and new transaction fees implemented in the fourth quarter of 2000 and first quarter of 2001. Our revenues from clearing and transaction fees would have been higher in 2001 if the percentage of trading volume attributable to interest rate products, which are charged lower clearing fees than some of the other products offered through our exchange, had not increased compared to such other products. However, management believes the volume achieved, in part as a result of this pricing structure, enhances the liquidity of these products. The increase in trading volume was the primary reason for the increase in revenues from clearing and transaction fees in 2002 when compared to 2001. Partially offsetting this 2002 volume increase was the impact of certain volume discounts, fee limits and a decrease in the percentage of trades executed by non-member customers.

Our clearing and transaction fees revenues, stated as an average rate per contract, are illustrated in the table below:

	YEAR ENDED DECEMBER 31				
(in thousands, except rate per contract)	1998	1999	2000	2001	2002
Clearing and Transaction Revenues	$ 126,524	$ 140,305	$ 156,649	$ 292,459	$ 356,396
Total Contracts Traded	226,619	200,737	231,110	411,712	558,448
Average Rate per Contract	$ 0.558	$ 0.699	$ 0.678	$ 0.710	$ 0.638

While the average rate per contract has increased from 1998 to 2002, it has fluctuated from $0.558 in 1998 to a peak of $0.710 in 2001. This overall increase is attributable primarily to the pricing changes implemented in the fourth quarter of 2000 and first quarter of 2001, after our demutualization, as well as growth in the percentage of trades executed through GLOBEX. The average rate per contract in 1998 was the lowest of any year during the five-year period reflected in the table above as a result of fee reductions and rebates. Despite the pricing changes in the fourth quarter of 2000, there was a decrease in the average rate per contract in 2000 that resulted primarily from an increase in the percentage of total volume from Eurodollar products, as these products have a lower average rate per contract, and a decline in the percentage of trades for non-member customers. The decline in the average rate per contract from 2001 to 2002 resulted primarily from volume discounts on certain products, limits on some fees associated with trading through the GLOBEX platform and a decrease in the percentage of trades attributed to non-members. We believe our lower fee structure for members has resulted in the acquisition of the trading rights associated with our Class B shares by parties intending to trade significant volumes on our exchange, creating an increase in member volume and a decrease in non-member volume. In addition, in 2002, our clearing and transaction revenue was reduced by $4.8 million as a result of payments to clearing firms relating to our fee adjustment policy and clearing firm account management errors.

Our volume discounts for Eurodollar contracts will change effective March 1, 2003. The discount for Eurodollar contracts will be $0.04 per contract for daily trading volume in excess of 10,000 contracts. Volume for futures and options on futures will be calculated separately for purposes of applying this discount. The current discount is $0.05 per contract for trading volume in excess of 7,500 contracts per day, with the discount increasing to $0.07 per contract for trading volume in excess of 15,000 contracts per day. Volume on futures and options on futures is currently combined for purposes of calculating this discount. Also, effective March 1, 2003, we are implementing an incentive plan to promote liquidity in the back months of our Eurodollar complex by offering incentives for high volume traders. The total expense under this incentive plan will not exceed $4.0 million for the ten-month period ending December 31, 2003. Future changes in fees, volume discounts, limits on fees and member discounts, including some that may be significant, may occur periodically based on management's review of our operations and business environment.

Our second largest source of revenue is quotation data fees, which we receive from the sale of our market data. Revenues from market data products represented 10.8% of our net revenues in 2002. In general, our market data service is provided to two types of customers. Since March 2001, our nonprofessional service has been provided to customers who typically only require market data provided in one-minute snapshots or on a limited group of products, such as our E-mini products. The fee for this service is relatively nominal and is a flat rate per month. Subscribers to our professional service receive market data on all our products on a real-time streaming basis. Fees for the professional service are higher than the non-professional service. Professional customers pay one price for the first device, or screen, at each physical location displaying our market data and a lower price for each additional screen displaying our market data at the same location. Pricing for our market data services is based on the value of the service provided, our cost structure for the service and the price of comparable services offered by our competitors. The pricing of quotation data services was increased on March 1, 2001 as part of the pricing changes implemented in 2001. Increases or decreases in our quotation data revenue will be influenced by changes in our price structure for existing market data offerings, introduction of new market data services and changes in the number of subscribers. In addition, general economic factors will influence revenue from our market data fees. For example, the recent downsizing in the brokerage industry has contributed to a decline in the number of screens displaying our market data and has adversely affected the growth in our market data revenue in 2002.

At year-end 2002, nearly 54,000 subscribers displayed our data on approximately 175,000 screens worldwide, compared to approximately 48,000 subscribers and approximately 190,000 screens at year-end 2001. With the exception of 2000, revenues from quotation data fees have grown each year for the last five years.In 2000, we began to offer a lower-priced non-professional service that increased the number of

subscribers but adversely affected revenue as some of our existing customers switched to this lower-priced service. When this service was changed from real-time streaming to one-minute snapshots of market data in 2001, the number of subscribers to this service declined. Partially offsetting this decrease was the effect of some subscribers to our previous non-professional service switching to our professional service to obtain real-time streaming of market data. In addition, we began to offer a new non-professional service late in 2001 to allow subscribers to obtain market data limited to our E-mini products. At December 31, 2002, there were approximately 16,000 subscribers to this E-mini market data service. The combined effect of these changes was a net decline in the total number of non-professional subscribers from nearly 25,000 at December 31, 2000 to approximately 21,000 at year-end 2002. In addition, one of the major resellers of our quotes declared bankruptcy in February 2001. This reduced our revenue from quotation data fees by $1.4 million in 2000 and $0.5 million in 2001.

In 2002, the two largest resellers of our market data represented approximately 48% of our quotation data fees revenue. Should one of these vendors no longer subscribe to our market data, we believe the majority of that firm's customers would likely subscribe to our market data through another reseller. Therefore, we do not believe we are exposed to significant risk from the loss of revenue received from any particular market data reseller.

Prices for our professional market data offering will increase effective April 1, 2003. Currently, these customers are charged $60 per month for the first screen at each location and $12 per month for each additional screen at the same location. The new pricing will be $50 per month for the first screen and $20 per month for each additional screen at the same location. At December 31, 2002, there were approximately 33,000 subscribers to our professional market data offering and approximately 126,000 additional screens.

GLOBEX access fees are the connectivity charges to customers of our electronic trading platform. The fee each customer is charged varies depending on the type of connection provided. There is a corresponding communication expense associated with providing these connections that varies based on the type of connection selected by the customer. Increases or decreases in revenue from GLOBEX access fees are influenced by changes in the price structure for our existing GLOBEX access choices, the introduction of new access choices and our ability to attract new users to our electronic trading platform. In addition, GLOBEX access fees are affected by some of the same factors that influence the general level of activity in electronic trading, including the products offered, quality of execution services and general economic conditions affecting our markets.

Communication fees consist of charges to members and firms that utilize our various telecommunications networks and communications services. Revenue from communication fees is dependent on open outcry trading, as a significant portion relates to telecommunications on the trading floor. There is a corresponding variable expense associated with providing these services.

Investment income represents interest income and net realized gains and losses from our marketable securities, from the trading securities in our non-qualified deferred compensation plans, and from income generated by the short-term investment of clearing firms' cash performance bonds and security deposits. Investment income is influenced by our operating results, market interest rates and changes in the levels of cash performance bonds deposited by clearing firms. The total cash performance bonds deposited by clearing firms is a function of the type of collateral used to meet performance bond requirements, the number of open positions held by clearing firms and volatility in our markets. As a result, the amount of cash deposited by clearing firms is subject to significant fluctuation. For example, cash performance bonds and security deposits totaled $156.0 million at December 31, 2000, compared to $855.2 million at December 31, 2001 and $1.8 billion at December 31, 2002. In addition, clearing firms may choose to deposit cash in a foreign currency. Our ability to generate investment income from clearing firms' cash performance bonds and security deposits is impacted by the currency received and the interest rates prevailing in the country for that particular currency. The investment results of our non-qualified deferred compensation plans that are included in investment income do not affect net income, as there is an equal and offsetting impact to our salaries and benefits expense. In the third quarter of 2002, we changed our

investment policy and converted our marketable securities to short-term investments. Therefore, beginning with the fourth quarter of 2002, all investments are short-term in nature, and consist of institutional money market funds and U.S. Government agency securities that mature within seven days of purchase.

Beginning late in the second quarter of 2001, we entered into securities lending transactions utilizing a portion of the securities that clearing firms deposited to satisfy their proprietary performance bond requirements. Securities lending interest income is presented separately in the consolidated statements of income. Substantial interest expense is incurred as part of this securities lending activity and is presented as a deduction from total revenues to arrive at net revenues.

Other revenue is composed of fees for trade order routing and various services to members, as well as fees for administering our Interest Earning Facility program, or IEF, which consists of money market funds managed by third party investment managers. We offer clearing firms the opportunity to invest cash performance bonds in our IEF. These clearing firms receive interest income, and we receive a fee based on total funds on deposit. In 2001, we implemented an addition to our IEF program, called IEF2, which allows clearing firms to invest directly in public money market mutual funds through a special facility provided by us. Other revenue also includes trading revenue generated by GFX, our wholly owned subsidiary that trades in foreign exchange and Eurodollar futures contracts to enhance liquidity in our markets for these products, fines assessed to members for violations of exchange rules and revenue from the sale of our SPAN software. In 2001, we entered into a joint venture, OneChicago, to trade single stock futures and futures on narrow-based stock indexes. We currently have a 40% ownership interest in the joint venture. Our share of the net loss from this joint venture is included in other revenue as well as revenue we receive for providing certain regulatory, clearing and technology services to OneChicago.

A substantial portion of our clearing and transaction fees, telecommunications fees and various service charges included in other revenue are billed to the clearing firms of the exchange. The majority of clearing and transaction fees received from clearing firms represent charges for trades executed on behalf of the customers of the various clearing firms. There are currently approximately 70 clearing firms. In 2002, one firm, with a significant portion of customer revenue, represented approximately 11% of our net revenues. Should a clearing firm withdraw from the exchange, we believe the customer portion of that firm's trading activity would likely transfer to another clearing firm of the exchange. Therefore, we do not believe we are exposed to significant risk from the loss of revenue received from any particular clearing firm.

Expenses

Our expenses have grown from $183.0 million in 1998 to $298.9 million in 2002. The increase in total annual expenses since 1998 is illustrated in the table below:

	YEAR ENDED DECEMBER 31			
(in thousands)	**1999**	**2000**	**2001**	**2002**
Total Expenses	$ 203,958	$ 241,814	$ 261,387	$ 298,948
Total Increase From Previous Year	20,986	37,856	19,573	37,561
Percentage Increase From Previous Year	11.5%	18.6%	8.1%	14.4%

Salaries and benefits expense is our most significant expense and includes employee wages, bonuses, related benefits and employer taxes. Changes in this expense are driven by increases in wages as a result of inflation or labor market conditions, the number of employees, rates for employer taxes and price increases affecting benefit plans. This expense, combined with stock-based compensation, accounted for $118.7 million, or 39.7% of total expenses, for 2002. Annual bonus payments also vary from year to year and have a significant impact on total salaries and benefits expense. This expense has increased each year for the years 1998 to 2001 and remained relatively constant from 2001 to 2002. The number of employees increased from 940 at December 31, 1998 to 1,152 at December 14, 2002.

Stock-based compensation is a non-cash expense related to stock options and restricted stock grants. The most significant portion of this expense relates to our CEO's stock option, granted in February 2000 for 5% of all classes of our common stock outstanding at the date of demutualization. For accounting purposes, the option was treated as a stock appreciation right prior to our demutualization. At year-end 2002, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148. As a result, all prior periods presented have been restated to reflect stock-based compensation expense that would have been recognized had the provisions of SFAS No. 123 been applied to all options granted to employees during those periods. Stock-based compensation expense totaled $8.2 million in 2000, $6.2 million in 2001 and $3.8 million in 2002 and did not occur prior to 2000. The expense related to our CEO's option was $8.2 million, $3.5 million and $1.8 million for the years ended December 31, 2000, 2001 and 2002, respectively. Beginning in the second quarter of 2001, restricted stock grants and options were awarded to certain employees. The portion of stock-based compensation expense related to these awards was $2.7 million for the year ended December 31, 2001 and $2.0 million for the year ended December 31, 2002.

Occupancy costs consist primarily of rent, maintenance and utilities for our offices, trading facilities and remote data center. Our office space is primarily in Chicago, and we have smaller offices in Washington, D.C., London and Tokyo. Occupancy costs are relatively stable, although our trading floor rent fluctuates to a limited extent based on open outcry trading volume. In 2002, our occupancy costs increased primarily as a result of the addition of the remote data center. In 2002, we also signed an extension of our Chicago office lease. As a result, this office lease now expires in November 2008.

Professional fees, outside services and licenses expense consists primarily of consulting services provided for major technology initiatives, license fees paid as a result of trading volume in stock index products and legal and accounting fees. This expense fluctuates primarily as a result of changes in requirements for consultants to complete technology initiatives, stock index product trading volume changes that impact license fees and other undertakings that require the use of professional services.

Communications and computer and software maintenance expense consists primarily of costs for network connections with our GLOBEX customers; maintenance of the hardware and software required to support our technology; telecommunications costs of our exchange; and fees paid for access to market data. This expense is affected primarily by the growth of electronic trading. Our computer and software maintenance costs are driven by the number of transactions processed, not the volume of contracts traded. We processed approximately 75% of total transactions electronically in 2002 compared to approximately 65% in 2001, which represented approximately 35% and 20%, respectively, of total contracts traded.

Depreciation and amortization expense results from the depreciation of fixed assets purchased and acquired under capitalized leases, as well as amortization of purchased and internally developed software. This expense increased as a result of significant technology investments in equipment and software that began in late 1998 and has led to additional depreciation and amortization in the following years.

Public relations and promotion expense consists primarily of media, print and other advertising expenses,as well as expenses incurred to introduce new products and promote our existing products and services. Also included are seminar, conference and convention expenses for attending trade shows. Expenses of this nature have decreased from $9.6 million in 1998 to $6.5 million in 2002. During this time period, the emphasis of our promotion efforts shifted from print advertising and brochures to direct contact with our primary customers and Internet availability of our promotional materials. We also discontinued certain incentive programs. In 1999, additional expenses were incurred to promote the introduction of our E-mini stock index products and the introduction of daytime electronic trading in our Eurodollar contracts on a limited basis. These products were introduced to increase our trading volume as well as to respond to increased competition. We expect public relations and promotion expense to increase in the near term to enhance brand awareness. Specifically, in the first quarter of 2003, we initiated a brand advertising campaign that will result in approximately $6 million of additional expense for the year. Approximately $5.5 million of this additional expense will occur in the first quarter of 2003.

Other expense consists primarily of travel, staff training, fees incurred in providing product delivery services to customers, stipends for our board of directors, interest for equipment purchased under capital leases, meals and entertainment, fees for our credit facility, supplies, postage and various state and local taxes. Other expense fluctuates, in part, due to changes in demand for our product delivery services and decisions regarding the manner in which to purchase capital equipment. Certain expenses, such as those for travel and entertainment, are more discretionary in nature and can fluctuate from year to year as a result of management decisions. In 2003, we anticipate an increase in certain insurance expenses included primarily in other expense. This is the result of increased provisions and rates for certain coverage, including directors and officers liability insurance.

Net Income

Net income for 1998 was $7.0 million, declined in the next two years to a loss of $10.5 million in 2000 and rebounded to net income of $75.1 million in 2001 and $94.1 million in 2002. The decline from 1998 through 2000 resulted from a variety of factors. Trading volume declined from 1998 to 1999, but the percentage of trades executed through GLOBEX continued to increase. A significant portion of the expense increase in 1999 was for depreciation and amortization that resulted from capital expenditures related to our technology. The net loss in 2000 resulted primarily from our management restructuring, the expense associated with the stock option granted to our CEO, demutualization and the write-off of certain internally developed software that could not be used as intended. Increased volume combined with the change in our pricing structure following our demutualization drove the change in operating results from 2000 to 2002.

Net income from 1998 through 2000 was adversely affected by the limited partners' interest in the earnings of PMT. Prior to our demutualization, PMT owned all rights to electronic trading of our products, received the revenue generated from electronic trading and was charged for our services to support electronic trading. The limited partners were entitled to a portion of the income of PMT, which totaled $2.8 million in 1998, $2.1 million in 1999 and $1.2 million in 2000. We purchased PMT's net assets as part of our demutualization.

Our initial public offering was completed in December 2002 and resulted in the issuance of an additional 3.7 million shares of Class A common stock. As a result, our earnings per share in 2003 will be adversely impacted by the increase in the number of shares outstanding.

Restatement

At year-end 2002, we adopted the fair value expense recognition provisions of Statement of Financial Accounting Standards (SFAS) No.123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, and we elected the retroactive restatement method of adoption. As a result, we have restated our consolidated financial statements for the years 2000 and 2001 and our quarterly results for 2002 through the nine months ended September 30, 2002 to reflect the fair value expense of all employee stock options, rather than the intrinsic value method that had previously been utilized under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees."

Critical Accounting Policies

The notes to our consolidated financial statements include disclosure of our significant accounting policies. In establishing these policies within the framework of accounting principles generally accepted in the United States, management must make certain assessments, estimates and choices that will result in the application of these principles in a manner that appropriately reflects our financial condition and results of operations. Critical accounting policies are those policies that we believe present the most complex or subjective measurements and have the most potential to impact our financial position and operating results. While all decisions regarding accounting policies are important, we believe there are two accounting policies that could be considered critical. These two critical policies, which are presented in detail in the notes to our consolidated financial statements, relate to stock-based compensation and clearing and transaction fees.

The accounting for stock-based compensation is complex, and under certain circumstances, accounting principles generally accepted in the United States allow for alternative methods. As permitted, through September 30, 2002, we elected to account for stock-based compensation using the intrinsic value method in accordance with APB Opinion No. 25 rather than the alternative fair value method prescribed in SFAS No. 123, "Accounting for Stock-Based Compensation." As a result, variable accounting was required for the options granted to our CEO as a result of certain provisions of the option agreement. Through September 30, 2002, the expense related to this option fluctuated based on the change in the value of our Class A shares and the underlying trading rights on our exchange associated with our Class B common stock. At year-end 2002, we adopted the fair value method for expensing stock options under the provisions of SFAS No. 123, as amended, and elected the retroactive restatement method of adoption. All prior periods presented have been restated to reflect stock-based compensation expense that would have been recognized had the provisions of SFAS No. 123 been applied to all stock options granted to employees, including the option granted to our CEO, during the periods presented. As a result of this retroactive restatement, our previously reported net loss for 2000 increased from $5.9 million to a restated loss of $10.5 million, and our previously reported net income for 2001 increased from $68.3 million to a restated net income of $75.1 million. For 2002, stock-based compensation expense using the fair value method totaled $3.8 million. If the provisions of SFAS No. 123 had not been adopted at year-end 2002, stock-based compensation expense for the year 2002 would have totaled $36.9 million, resulting in a reduction in net income of $20.2 million from the net income reflected in our consolidated financial statements. We have elected the accelerated method for recognizing the expense related to stock options. As a result of this election and the vesting provisions of our stock grants, a greater percentage of the total expense for all options is recognized in the first year of the vesting period than would be recorded if we used the straight-line method.

Clearing and transaction fees are recorded as revenue and collected from clearing firms on a monthly basis. Several factors affect the fees charged for a trade, including whether the individual making the trade has trading privileges on our exchange. In the event inaccurate information provided by the clearing firm has resulted in an incorrect fee, the clearing firm has a period of three months following the month in which the trade occurred to submit the correction and have the fee adjusted. When preparing financial statements for a reporting period, an estimate is made of anticipated fee adjustments applicable to the three months prior to the end of the reporting period. This estimate is recorded as a liability with a corresponding reduction to clearing and transaction fees revenue and is based on historical trends for such adjustments. Our estimate of anticipated fee adjustments at year-end 2002 was $3.1 million.

Key Statistical Information

The following table presents key information on volume of contracts traded, expressed in round turn trades, as well as information on open interest and notional value of contracts traded.

	YEAR ENDED DECEMBER 31				
(in thousands)	**2002**	**2001**	**2000**	**1999**	**1998**
Average Daily Volume					
Product Areas:					
Interest Rate	1,226,343	1,091,846	550,810	475,023	574,829
Equity	863,271	425,149	258,120	189,984	174,840
Foreign Exchange	96,289	89,290	76,615	94,747	113,948
Commodity	30,160	34,003	31,575	33,671	35,664
Total Average Daily Volume	2,216,063	1,640,288	917,120	793,425	899,281
Method of Trade:					
Open Outcry	1,398,698	1,282,147	754,049	698,011	830,687
GLOBEX	785,615	326,274	136,928	63,782	38,668
Privately Negotiated	31,750	31,867	26,143	31,632	29,926
Total Average Daily Volume	2,216,063	1,640,288	917,120	793,425	899,281
Largest Open Interest (contracts)	24,804,321	18,900,911	9,324,154	8,799,641	10,174,734
Total Notional Value (in trillions)	$ 328.6	$ 293.9	$ 155.0	$ 138.3	$ 161.7

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Overview

Our operations for the year ended December 31, 2002 resulted in net income of $94.1 million compared to net income of $75.1 million for the year ended December 31, 2001. The increase in net income resulted primarily from a 17.1% increase in net revenues that was only partially offset by a 14.4% increase in operating expenses. The increase in net revenues was driven by a 35.6% increase in total trading volume during 2002 when compared to 2001. However, the percentage growth in volume did not result in an equal percentage growth in revenue as volume incentive programs, which include limits on GLOBEX fees for E-mini contracts and volume discounts for customers trading large volumes of our Eurodollar products, had a greater impact on revenue from clearing and transaction fees during 2002. Contributing to the overall increase in expenses was the settlement of the Wagner patent litigation in August 2002, and a subsequent agreement in December 2002 with Euronext for reimbursement of one-half of the settlement amount. The net result of these two agreements was a one-time expense of $6.2 million for 2002. Partially offsetting the overall increase in expenses was a decrease in stock-based compensation, a non-cash expense, from $6.2 million in 2001 to $3.8 million in 2002. Our operating margin was 34.0% for 2002 compared to 32.5% for 2001. Excluding stock-based compensation, our operating margin would have been 34.9% in 2002 compared to 34.1% in 2001. Excluding both the Wagner patent litigation settlement and stock-based compensation, our operating margin for 2002 would have increased to 36.3%.

Trading volume for 2002 totaled a record 558.4 million contracts, representing an average daily trading volume of 2.2 million contracts. This was a 35.6% increase over the 411.7 million contracts traded during 2001, representing an average daily trading volume of 1.6 million contracts. On October 31, 2002, we experienced a new single-day total trading volume record of nearly 5.9 million contracts, surpassing the previous record of nearly 4.3 million contracts established on June 27, 2002. This volume record on October 31, 2002 included 2.6 million contracts from the launch of an additional TRAKRS contract (Total Return Assets Contracts), a product line developed with Merrill Lynch that first traded on July 31, 2002. The launch date of each new TRAKRS contract includes orders taken since the product was announced. In addition, the month of October 2002 represented our busiest month ever with total trading volume of 61.5 million contracts, and total trading volume excluding TRAKRS of 58.7 million contracts. GLOBEX volume exceeded one million contracts for a single day for the first time on June 12, 2002 and exceeded one million contracts on 42 days through the end of 2002. A new GLOBEX volume record was established on July 24, 2002, when 1.5 million contracts were traded. These GLOBEX volume records exclude the volume related to TRAKRS contracts.

Revenues

Total revenues increased $72.5 million, or 18.3%, from $396.6 million for 2001 to $469.1 million for 2002. Net revenues increased $66.0 million, or 17.1%, from 2001 to 2002. The increase in revenues was attributable primarily to a 35.1% increase in average daily trading volume in 2002. The increase represented our third consecutive year of record trading volume and marked the second year our exchange was the largest futures exchange in the United States, based on annual trading volume. In 2002, electronic trading volume represented 35.5% of total trading volume, or 785,615 contracts per day, a 140.8% increase over the year 2001. Open outcry trading volume averaged 1,398,698 contracts per day in 2002, a 9.1% increase over the year 2001. Increased trading volume levels resulted from continued volatility in U.S. stocks and currencies; the anticipation of possible changes in interest rates; increased customer demand for the liquidity provided by our markets; product offerings that allowed customers to manage their risks; and enhanced access choices to our products. Partially offsetting these volume increases, and

the related increase in clearing and transaction fees, was a decline in investment income resulting primarily from a decrease in rates earned on our marketable securities, short-term investments and the short-term investment of clearing firms' cash performance bonds and security deposits; a decrease in the trading revenue generated by our trading subsidiary, GFX; and our share of the net loss of OneChicago, our joint venture in single stock futures and futures on narrow-based stock indexes that initiated trading in November 2002.

Clearing and Transaction Fees. Clearing and transaction fees, which include clearing fees, GLOBEX electronic trading fees and other volume-related charges increased $63.9 million, or 21.9%, from $292.5 million in 2001 to $356.4 million in 2002. A significant portion of the increase was attributable to the 35.1% increase in average daily trading volume. Also, in 2002, 39.0% of our trading volume related to equity products, compared to 25.9% in 2001. This contrasts with our interest rate product volume, which represented 55.3% of our trading volume in 2002, a decline from 66.6% in 2001. This shift in product mix resulted in additional revenue in 2002 as the average rate per contract for equity products is greater than the average rate per contract for interest rate products. In 2002, the additional revenue resulting from these volume increases and product mix change was partially offset by a $4.8 million one-time payment to clearing firms relating to our fee adjustment policy and clearing firm account management errors.

Despite the increase in revenue from clearing and transaction fees, the average rate, or revenue, per contract decreased $0.072 from $0.710 in 2001 to $0.638 in 2002. Management believes the fee limits for our E-mini equity products and volume discounts offered to large users of our Eurodollar products contributed to increased overall trading volume but had a negative impact on our average rate per contract. While volume discounts and limits on certain GLOBEX fees were in effect during both 2001 and 2002, the average rate per contract for 2002 was more adversely impacted by these programs as increased trading volume resulted in more trades being executed at the discounted levels. In addition, the volume discounts for our Eurodollar products that were implemented in January 2001 were expanded in the third quarter of 2001. While volume in Eurodollar contracts has grown, the larger volume discounts have partially offset the additional revenue generated by the increased trading volume in this product. The average rate per contract was also affected by the lower percentage of trades attributed to non-member customers. The percentage of trades by non-members decreased to approximately 22% of total trading volume in 2002 compared to approximately 25% in 2001. We believe our lower fee structure for members has resulted in the acquisition of trading rights by parties intending to trade significant volumes on our exchange, creating an increase in member volume. In addition, on July 31, 2002, we began trading a new contract, Long-Short Technology TRAKRS, that was followed by two additional TRAKRS contracts in the fourth quarter of 2002. Similar to limits on certain GLOBEX fees, transaction fees for this contract are limited based on the size of the order and generally averaged $0.007 per contract. As a result, TRAKRS volume has had an adverse impact on our overall rate per contract in 2002. If volume and fees for TRAKRS were excluded from the 2002 rate per contract calculation, our average rate per contract would have increased by approximately $0.011 to $0.649 from $0.638. Finally, the $4.8 million payment to clearing firms relating to our fee adjustment policy and clearing firm account management errors reduced our average rate per contract by $0.009 in 2002.

The following table shows the average daily trading volume in our four product areas, the portion that was traded electronically through the GLOBEX platform, and clearing and transaction fees revenues expressed in total dollars and as an average rate per contract:

	YEAR ENDED DECEMBER 31		
Product Area	**2002**	**2001**	**Percentage Increase/ (Decrease)**
Interest Rate	1,226,343	1,091,846	12.3%
Equity	863,271	425,149	103.1
Foreign Exchange	96,289	89,290	7.8
Commodity	30,160	34,003	(11.3)
Total Volume	2,216,063	1,640,288	35.1
GLOBEX Volume	785,615	326,274	140.8
GLOBEX Volume as a Percent of Total Volume	35.5%	19.9%	
Clearing and Transaction Fees Revenues (in thousands)	$ 356,396	$ 292,459	
Average Rate per Contract	$ 0.638	$ 0.710	

During 2002, volatility in U.S. equity markets continued. This volatility, combined with increased distribution to customers through the available access choices to our GLOBEX platform and marketing efforts to increase awareness of our product offerings, drove the growth in volume in our equity products. Approximately 83% of our stock index product volume is traded through the GLOBEX platform. While the U.S. Federal Reserve Board left interest rates unchanged until the fourth quarter of 2002, compared to 11 interest rate reductions in 2001, we continued to experience increased volume in our interest rate products. Continued uncertainty over interest rates and volatility in U.S. stocks has led to increased use of our interest rate products. With respect to foreign exchange products, the increase in trading volume was attributable to the impact of instituting side-by-side trading of these products on our GLOBEX platform during open outcry trading hours in April 2001, and additional volatility in the foreign exchange markets during 2002. The decrease in average daily volume for the commodity products was primarily the result of the extensive long-term drought that has depressed trading activity in our livestock products.

Quotation Data Fees. Quotation data fees increased $0.4 million, or 1.0%, from $48.3 million in 2001 to $48.7 million in 2002. The increase principally reflects the effect of fee increases, implemented in March 2001, for the full year 2002 and an increase in the administrative fee for our quote vendor services, effective January 2002. These increases were partially offset by a decline in the number of users of our professional market data service that began in the second quarter of 2002, primarily as a result of recent downsizing at a number of major brokerage firms. As a result, the number of screens displaying our market data decreased from approximately 190,000 at December 31, 2001 to approximately 175,000 screens at December 31, 2002. This decline was partially offset by an increase in the number of subscribers from approximately 48,000 at December 31, 2001 to approximately 54,000 at December 31, 2002. The increase in subscribers occurred in our lower-priced non-professional E-mini market data service. Quotation data fees for 2001 were adversely impacted by $0.5 million as a result of the bankruptcy filing of a vendor that serves as a large distributor of our market data. There was no similar adverse event in 2002.

GLOBEX Access Fees. GLOBEX access fees increased $0.9 million, or 8.0%, from $12.0 million in 2001 to $12.9 million in 2002. This increase resulted primarily from the additional monthly access fees generated by an increased number of GLOBEX users during 2002. Partially offsetting this increase was a $0.5 million decrease in installation revenue during 2002 when compared to 2001. When our pricing structure was changed in February 2001, we increased our installation charges for certain access choices. Many customers elected those access choices when they were first introduced. This resulted in an increase in installation revenue in the second and third quarters of 2001 that was not repeated during 2002. In addition, some new customers in 2002 selected access choices that do not require installation fees, such as our virtual private network.

Communication Fees. Communication fees increased $0.4 million, or 4.3%, from $9.3 million in 2001 to $9.7 million in 2002. The increase resulted primarily from an increase in telecommunication services and equipment provided on our trading floor and modest increases in fees for some of the wireless services we provide.

Investment Income. Investment income decreased $1.3 million, or 13.6%, from $9.0 million in 2001 to $7.7 million in 2002. The decline resulted primarily from a reduction in rates earned on our marketable securities, short-term investments of available funds and the investment of clearing firms' cash performance bonds and security deposits. Through the third quarter of 2002, a significant portion of these investments were short-term in nature. In the third quarter of 2002, we changed our investment policy and converted all of our marketable securities to short-term investments. Therefore, in the fourth quarter of 2002, all investments were short-term in nature. The average rate earned on all investments declined from approximately 3.8% in 2001 to approximately 2.6% in 2002, representing a decrease in investment income of approximately $6.3 million. The decrease in rates earned resulted from the actions taken by the Federal Reserve Board in 2001 and 2002 to lower the Fed funds rate and the change in our investment policy in the third quarter of 2002. Another component of the decrease in investment income was the $0.6 million decrease in the investment results of our non-qualified deferred compensation plan that is included in investment income but does not affect our net income, as there is an equal decrease in our salaries and benefits expense. Partially offsetting these decreases in investment income was an increase of approximately $3.3 million in interest income as a result of increased balances in marketable securities, short-term investments of available funds and cash performance bonds and security deposits, as well as the investment of the net proceeds of our initial public offering that was completed in December 2002. In addition, as a result of the change in our investment policy in the third quarter of 2002, we sold the marketable securities owned at the time the investment policy was changed, resulting in one-time realized gains of $2.7 million, compared to realized gains of $0.3 million in 2001.

Securities Lending Interest Income and Expense. Securities lending interest income increased $7.5 million, or 69.1%, from $10.7 million in 2001 to $18.2 million in 2002. Our securities lending activity began late in June 2001. Therefore, the revenue generated in 2001 does not represent a full year of securities lending activity. Our securities lending is limited to a portion of the securities that clearing firms deposit to satisfy their proprietary performance bond requirements. The average balance of proceeds from securities lending activity was $924.1 million in 2002 and $632.6 million in 2001 from the time this activity began to the end of the year. In 2001, the securities from one clearing firm were used to launch this program. By year-end 2002, securities of four clearing firms were being utilized in the securities lending

program. Securities lending interest expense increased $6.4 million, or 67.8%, from $9.5 million in2001 to $15.9 million in 2002. This expense is an integral part of our securities lending program and is required to engage in securities lending transactions. Therefore, this expense is presented in the consolidated statements of income as a reduction of total revenues. The net revenue from securities lending represented a return of 0.20% on the average daily balance in 2001 compared to 0.25% in 2002.

Other Revenue. Other revenue increased $0.5 million, or 3.2%, from $14.9 million in 2001 to $15.4 million in 2002. This increase is attributed primarily to a $2.3 million increase in fees associated with managing our Interest Earning Facility program, $0.7 million of revenue for providing certain communication and regulatory services to OneChicago that began in the third quarter of 2002 and a $0.3 million increase in fees generated for providing order routing services. In addition, two additional exchanges adopted CLEARING 21 in 2002, resulting in $0.3 million of revenue. Partially offsetting these increases was a $2.6 million increase in our share of the net loss of OneChicago. The increase in the net loss for 2002 represented an entire year of activity, whereas 2001 only represented activity from August 2001, the date of our initial capital contribution. OneChicago began trading operations in November 2002. However, fees for trades executed were waived for 2002. In addition, the trading revenue generated by GFX declined $0.6 million from 2001 to 2002.

Expenses

Total operating expenses increased $37.5 million, or 14.4%, from $261.4 million in 2001 to $298.9 million in 2002. This increase was primarily attributable to increases in depreciation resulting from recent capital expenditures, increases in salaries and benefits and professional fees, as well as the settlement of the Wagner patent litigation. These expense increases were partially offset by a reduction in stock-based compensation expense.

Salaries and Benefits Expense. Salaries and benefits expense increased $9.7 million, or 9.2%, from $105.2 million in 2001 to $114.9 million in 2002. There are two significant components to this increase. The average number of employees increased approximately 7%, or by 70 employees, from 2001 to 2002. We had 1,152 employees at December 14, 2002. This increased headcount resulted in increased salaries and benefits of approximately $6.3 million.In addition, salaries and benefits increased approximately $6.2 million as a result of annual salary increases and related increases in employer taxes, pension and benefits. Partially offsetting these increases was a $2.0 million increase in the capitalization of salaries and benefits relating to internally developed software and a $0.6 million increase in the losses experienced in our non-qualified deferred compensation plan during 2002 when compared to 2001.

Stock-Based Compensation Expense. Stock-based compensation, a non-cash expense, decreased $2.4 million, or 38.9%, from $6.2 million in 2001 to $3.8 million in 2002. The stock option granted in 2000 to our CEO represents $1.8 million of stock-based compensation expense in 2002. Employee stock options, granted primarily in 2001, and restricted stock granted in 2001 comprise the balance of this expense. The total expense associated with a stock option is calculated at the date of grant based on its fair value. Since we have elected an accelerated method for recognizing this expense, a greater percentage of the total expense for all stock awards is recognized in the first year of the vesting period. The decline in expense in 2002 is a direct result of the time that has lapsed since the options were granted and the expense previously recognized in the year immediately following the date of grant.

Occupancy Expense. Occupancy expense increased $2.0 million, or 9.7%, from $20.4 million in 2001 to $22.4 million in 2002. This increase resulted primarily from the additional rent and utility expense incurred in 2002 for a remote data center leased in the fourth quarter of 2001 and an increase in rent for our trading floors. A portion of the trading floor rent is determined based on total open outcry trading volume, which increased 9.5% in 2002 when compared to 2001. In addition, the operating expenses related to our office space in Chicago increased during 2002.

Professional Fees, Outside Services and Licenses Expense. Professional fees, outside services and licenses increased $5.2 million, or 19.3%, from $27.3 million in 2001 to $32.5 million in 2002. This increase is attributed primarily to two factors. There was a $3.2 million increase in legal fees associated with our defense of the Wagner patent litigation in 2002 and a $2.2 million increase in license fees resulting from growth in our equity product trading volume. Additional expenses totaling $1.0 million also were incurred in 2002 for building security in response to the September 11, 2001 terrorist attacks, temporary employees, services to support our Web site and shareholder services. Partially offsetting these increases was a $0.6 million decrease in professional fees for technology initiatives, net of the portion that relates to development of internal use software and is capitalized rather than expensed. Total professional fees for technology increased $2.0 million; however, the nature of the projects requiring the use of professional services resulted in increased capitalization of $2.6 million. New initiatives during 2002 included work on the capacity of our clearing and trade processing systems, adaptation of certain systems to accommodate single stock futures transactions and technology work to prepare for our E-quotes market data offering. In addition, our expenses related to recruiting employees declined $1.0 million from 2001 to 2002. This decrease resulted primarily from using internal resources to hire new employees rather than using outside search firms.

Communications and Computer and Software Maintenance Expense. Communications and computer and software maintenance expense increased $3.0 million, or 6.8%, from $43.6 million in 2001 to $46.6 million in 2002. The increase in 2002 resulted primarily from greater communications expense and communications-related expense of $2.1 million associated with our remote data facility and $0.9 million of expenses for news and quote services and software maintenance to support our E-quotes offering that began in March 2001. In addition, we incurred $1.1 million in hardware and software maintenance costs in 2002 as a result of new hardware purchases and initiatives, such as single stock futures. Partially offsetting these increases was a $0.6 million reduction in communication expense associated with connections to our GLOBEX platform that resulted from the renegotiation of a contract with one of our vendors in the second half of 2001 and our decision to not renew our agreement with Euronext-Paris for maintenance of our matching engine software. This agreement expired at the end of 2001, and in 2002 we assumed the maintenance utilizing our technology staff. The expense relating to this maintenance agreement was $1.0 million in 2001.

Depreciation and Amortization Expense. Depreciation and amortization expense increased $10.9 million, or 28.9%, from $37.6 million in 2001 to $48.5 million in 2002. Capital expenditures totaled $27.1 million in 2000, $36.5 million in 2001, and $56.9 million in 2002, with technology-related purchases representing approximately 80% to 90% of total purchases. Equipment and software represent the greatest portion of these technology-related purchases and are depreciated over a three- to four-year period. Therefore, these recent purchases, which include the development of software for internal use, have resulted in increased depreciation and amortization expense.

Patent Litigation Settlement. Patent litigation settlement expense totaled $6.2 million in 2002. This expense includes $13.7 million for the August 2002 settlement with e-Speed of the Wagner patent litigation. This expense was subsequently reduced as a result of the December 2002 settlement of a dispute with Euronext-Paris, our licensor of the NSC software that was the subject of the patent litigation, whereby Euronext-Paris agreed to pay us an amount equal to one-half of the amount of the settlement with e-Speed. Our settlement with e-Speed required a $5.0 million payment in September 2002 with five subsequent payments of $2.0 million each beginning in August 2003. In turn, Euronext-Paris has agreed to make two payments to us for $3.75 million each, the first of which was received in January 2003 and the second payment is to be received in December 2003. The expense recorded in 2002 represents the present value of these payments. No similar expense occurred in 2001.

Public Relations and Promotion Expense. Public relations and promotion expense increased $0.2 million, or 3.0%, from $6.3 million in 2001 to $6.5 million in 2002. Two offsetting changes resulted in this total expense remaining relatively unchanged from 2001 to 2002. Advertising and promotional activities increased from 2001 to 2002 as a result of greater expenditures for print advertising, focused primarily on our E-mini stock index and our foreign exchange products, as well as trade shows and conventions. These increases were partially offset by a decrease in charitable contributions. In response to the terrorist attacks of September 11, 2001, we established the Chicago Mercantile Exchange Foundation and made an initial contribution of $1.0 million in the third quarter of 2001. No similar expense was incurred in 2002.

Other Expense. Other expense increased $2.8 million, or 19.2%, from $14.7 million in 2001 to $17.5 million in 2002. Fees paid to our Board of Directors increased during 2002 when compared to 2001 due to two changes in our Board fee structure that became effective on July 1, 2001 and October 1, 2002. In addition, expenses related to travel, meals and entertainment increased $0.9 million, primarily as a result of increased customer visits and sales efforts by our products and services division. Bank fees increased $0.6 million as a result of the fees associated with securities lending that began late in the second quarter of 2001. Expense increases also occurred in other categories, such as supplies, bad debts and interest expense. Partially offsetting these increases was a decrease in the expense related to the settlement of certain litigation in 2001, for which there was no similar expense in 2002.

Income Tax Provision

We recorded a tax provision of $50.7 million in 2001, compared to $60.2 million in 2002. The effective tax rate was 40.3% in 2001 and 39.0% in 2002. The decline in the effective tax rate in 2002 resulted primarily from the favorable resolution of an outstanding income tax matter with the Internal Revenue Service.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Overview

Our operations for the year ended December 31, 2001 resulted in net income of $75.1 million compared to a net loss of $10.5 million for the year ended December 31, 2000. Our improved operating results were driven by a $170.0 million, or 75.1%, increase in total revenues. Net revenues increased $160.6 million, or 70.9%. This increase in revenues was partially offset by a $19.6 million, or 8.1%, increase in expenses in 2001 when compared to 2000. Excluding stock-based compensation, which represented a non-cash expense of $6.2 million in 2001 and $8.2 million in 2000, our net income for 2001 would have been $78.8 million compared to a loss of $5.3 million for 2000.

During 2001, the U.S. Federal Reserve Board lowered the Fed funds rate on 11 occasions, resulting in a total reduction of 4.75%. The increased need for risk management instruments resulting from this interest rate volatility led to increased volume in our Eurodollar contract. Our Eurodollar contract also became a benchmark for the industry, contributing to its volume growth. Concerns and uncertainty about the global and national economy, interest rates and the performance of U.S. stocks that had resulted in increased trading volume throughout 2001 were magnified after the terrorist attacks of September 11. In addition, opening access to our electronic trading platform and improved performance of that platform, coupled with uncertainty over the economy and interest rates, resulted in increased trading volume in our stock index products.

Revenues

Total revenues increased $170.0 million, or 75.1%, from $226.6 million for 2000 to $396.6 million for 2001. Net revenues increased $160.6 million, or 70.9%, from 2000 to 2001. The increase in revenues was attributable primarily to a 78.9% increase in average daily trading volume in 2001, establishing an exchange record and making our exchange the largest futures exchange in the United States, based on annual trading volume, for the first time. In 2001, we also experienced record levels of electronic trading that resulted in average daily GLOBEX volume of 326,274 contracts, representing 19.9% of our trading volume and an increase of 138.3% compared to 2000. These increased volume levels resulted from uncertainty over interest rates and volatility in U.S. stocks, a diverse product offering, our new open access policy for GLOBEX and volume discounts available to customers using our markets to manage their financial risk. Finally, a new pricing framework announced in December 2000 that took effect in the first quarter of 2001 resulted in additional revenue.

Clearing and Transaction Fees. Clearing and transaction fees and other volume-related charges increased $135.9 million, or 86.7%, from $156.6 million in 2000 to $292.5 million in 2001. Total trading volume increased 78.1% from 231.1 million contracts, our previous trading volume record established in 2000, to 411.7 million contracts for 2001. Many other volume records were established in 2001. Trading volume of 3.3 million contracts on November 15, 2001 established a new single-day trading volume record. Trading volume for the month of November 2001 also established a new monthly record, with 45.3 million contracts traded. This growth in total volume, and the related increase in clearing fees, was compounded by additional GLOBEX transaction fees resulting from a 138.3% increase in electronic trading volume from 2000 to 2001. In addition to increased volume, revenue was favorably impacted by changes to our pricing structure that were implemented in the first quarter of 2001.

In response to the terrorist attacks in the United States, our markets closed early on September 11, 2001, and our exchange remained closed on September 12, 2001. Trading resumed on September 13, 2001. However, equity products did not trade for an additional two business days, until September 17, 2001, when the equity markets in the United States resumed trading.

In addition to the increase in trading volume, the average rate per contract increased $0.032 from $0.678 for the year ended December 31, 2000 to $0.710 for the year ended December 31, 2001. The increase in 2001 reflects increases in pricing, which were partially offset by volume discounts for our Eurodollar products. These discounts were implemented in January 2001 and expanded in the third quarter of 2001. Also, as a result of the limits on certain GLOBEX fees, the additional trading volume generated through GLOBEX has increased clearing fees but has not necessarily resulted in additional GLOBEX fees.

The following table shows the average daily trading volume in our four product areas, the portion that was traded electronically through the GLOBEX platform, and clearing and transaction fees revenues expressed in total dollars and as an average rate per contract:

	YEAR ENDED DECEMBER 31		
Product Area	**2001**	**2000**	**Percentage Increase**
Interest Rate	1,091,846	550,810	98.2%
Equity	425,149	258,120	64.7
Foreign Exchange	89,290	76,615	16.5
Commodity	34,003	31,575	7.7
Total Volume	1,640,288	917,120	78.9
GLOBEX Volume	326,274	136,928	138.3
GLOBEX Volume as a Percent of Total Volume	19.9%	14.9%	
Clearing and Transaction Fees Revenues (in thousands)	$ 292,459	$ 156,649	
Average Rate per Contract	$ 0.710	$ 0.678	

While we experienced increased volume in all products, the most significant increases occurred in interest rate and equity products. This increased volume reflected market dynamics in U.S. stocks and interest rates, as well as the effect of volume discounts and increased access to our electronic trading platform. These measures were designed to stimulate additional activity in a time of volatility in interest rates and U.S. equities.

Quotation Data Fees. Quotation data fees increased $12.0 million, or 33.0%, from $36.3 million in 2000 to $48.3 million in 2001. On March 1, 2001, we implemented a fee increase for professional subscribers. At year-end 2001, more than 48,000 subscribers displayed our data on approximately 190,000 screens worldwide. This represented a modest decrease from year-end 2000 when we had approximately 54,000 subscribers displaying our data on more than 196,000 screens. In addition, while we maintained our non-professional market data offering, the service was changed from real-time streaming to one-minute snapshots of market data. This led some of our subscribers to convert to the higher-priced professional service. In addition, our 2000 revenue was adversely impacted by the bankruptcy filing of one of the larger resellers of our quotes.

GLOBEX Access Fees. GLOBEX access fees increased $8.0 million, or 201.9%, from $4.0 million in 2000 to $12.0 million in 2001. This increase was primarily attributable to the growth in the number of GLOBEX connections. Our FIX API connections increased from approximately 60 at December 31, 2000 to approximately 175 at December 31, 2001. These connections generally are used by clearing firms and allow multiple users to access GLOBEX. In addition, our GLOBEX Trader-Internet connections, a new access choice in 2001, grew to approximately 250 connections. Also contributing to the increase in revenue were changes to fees charged for access to GLOBEX in 2001 that were partially offset by a decrease in dedicated terminals accessing GLOBEX.

Communication Fees. Communication fees were relatively constant, experiencing a decrease of $0.1 million, from $9.4 million in 2000 to $9.3 million in 2001.

Investment Income. Investment income decreased $0.7 million, or 8.0%, from $9.7 million in 2000 to $9.0 million in 2001. The decline resulted primarily from a decrease in interest rates, which had a negative impact on the rate earned on funds invested. Also, there was a $0.2 million decrease in the investment results of our non-qualified deferred compensation plan, which did not impact our net income as there was an equal reduction to our salaries and benefits expense. Partially offsetting these decreases was investment income generated by additional funds available for investment in marketable securities as a result of our improved financial performance. Also, cash performance bonds deposited by clearing firms increased from 2000 to 2001, resulting in additional investment income in 2001.

Securities Lending Interest Income and Expense. Securities lending interest income was $10.7 million in 2001. There was no similar income for 2000, as our securities lending activity began in June 2001. Securities lending is limited to a portion of the securities that clearing firms deposit to satisfy their proprietary performance bond requirements. Securities lending interest expense was $9.5 million in 2001. There was no similar expense for 2000. This expense is an integral part of our securities lending program and is required to engage in securities lending transactions. Therefore, this expense is presented in the consolidated statements of income as a reduction of total revenues.

Other Revenue. Other revenue increased $4.4 million, or 41.7%, from $10.5 million in 2000 to $14.9 million in 2001. The majority of this increase, or $2.3 million, was attributable to increased fees associated with managing our IEF program. Fees earned are directly related to amounts deposited in each IEF. In addition, the comprehensive pricing changes implemented in the first quarter of 2001 resulted in additional revenue from floor access charges, booth rental on our trading floors and order routing services. Finally, sales of our SPAN software increased by $0.3 million in 2001 compared to 2000. Partially offsetting these increases was a $0.6 million decrease in the trading revenue generated by GFX and our share of the net loss of OneChicago, the joint venture established in August2001 for the trading of single stock futures.

Expenses

Total operating expenses increased $19.6 million, or 8.1%, from $241.8 million in 2000 to $261.4 million in 2001. The most significant components of this increase were the increase in salaries and benefits expense, professional fees and depreciation and amortization.

Salaries and Benefits Expense. Salaries and benefits expense increased $11.1 million, or 11.9%, from $94.1 million in 2000 to $105.2 million in 2001. Included in this expense in 2000 was $4.3 million of one-time expenses relating to the restructuring of management that included a sign-on bonus for our new President and CEO hired in February 2000 and expenses related to severance payments to departing

executives with employment contracts. Excluding these one-time charges, salaries and benefits increased $15.5 million, or 17.3%, in 2001 primarily as a result of an increase in overall compensation levels and employee bonus expense, coupled with related increases in pension expense, employment taxes and employee benefits costs. In addition, the average number of employees increased approximately 1% during 2001. This increased headcount resulted in additional salaries and benefits expense of approximately $1.4 million. These increases were compounded by a reduction in the number of technology staff utilized for internally developed software initiatives in 2001 when compared to 2000. As a result, more employee-related costs were expensed, rather than being capitalized as part of the development of internal use software.

Stock-Based Compensation Expense. Stock-based compensation, a non-cash expense, decreased $2.0 million, from $8.2 million in 2000 to $6.2 million in 2001. The stock option granted in 2000 to our CEO represents $3.5 million of stock-based compensation expense in 2001. Employee stock options, granted in May and July 2001, and restricted stock granted in May 2001 comprise the balance of this expense. The total expense associated with a stock option is calculated at the date of grant using the fair value method. Since we have elected an accelerated method for recognizing this expense, a greater percentage of the total expense is recognized in the first year of the vesting period. The decline in expense in 2001 is a result of the higher expense recognized in 2000 related to the CEO option, which is partially offset by the employee grants awarded in 2001.

Occupancy Expense. Occupancy expense increased $0.8 million, or 4.0%, from $19.6 million in 2000 to $20.4 million in 2001. This is primarily the result of an increase in rent expense related to our trading floors, as a portion of this rent is directly related to increased open outcry trading volume.

Professional Fees, Outside Services and Licenses Expense. Professional fees, outside services and licenses increased $4.2 million, or 18.0%, from $23.1 million in 2000 to $27.3 million in 2001. Professional fees for technology-related initiatives, net of the reduction for the portion that relates to the development of internal use software and is capitalized rather than expensed, increased $4.5 million in 2001 when compared to 2000. Major initiatives in 2001 included improvements to the Application Program Interface (API) to GLOBEX, work on enhancing the ability to execute sophisticated spread trades in GLOBEX and improvements to our Web site. In addition, there was a $0.9 million increase in license fees resulting from increased stock index product trading volume. We also incurred fees in 2001 relating to our reorganization into a holding company structure. In 2000, we completed our management restructuring and demutualization that resulted in recruiting, legal and other professional fees that were not repeated in 2001.

Communications and Computer and Software Maintenance Expense. Communications and computer and software maintenance expense increased $1.7 million, or 4.0%, from $41.9 million in 2000 to $43.6 million in 2001. As a result of a new contract with our communications provider, communication costs related to GLOBEX connections increased modestly despite the increased number of customers utilizing our electronic trading platform. In addition, our hardware and software maintenance costs increased in 2001 as a result of technology-related purchases.

Depreciation and Amortization Expense. Depreciation and amortization expense increased $4.1 million, or 12.4%, from $33.5 million in 2000 to $37.6 million in 2001. This increase was attributable primarily to depreciation of the cost of equipment and software purchased late in 2000, as well as amortization on internally developed software completed in 2001 and the second half of 2000.

Public Relations and Promotion Expense. Public relations and promotion expense increased $1.1 million, or 21.2%, from $5.2 million in 2000 to $6.3 million in 2001. In response to the terrorist attacks on September 11, 2001, we established the Chicago Mercantile Exchange Foundation with an initial contribution of $1.0 million to be distributed to those affected by the events of September 11, 2001. In addition, in 2001 promotion expense was affected by increased spending on direct advertising offset by reduced expenditures for trade shows and specific product promotions.

Other Expense. Other expense decreased $1.4 million, or 9.3%, from $16.1 million in 2000 to $14.7 million in 2001. This decrease was due primarily to a $2.7 million write-off of previously capitalized software development costs during 2000. It was determined that the software would not be utilized as intended. A similar write-off of $0.3 million occurred in 2001. Other factors affecting these expenses in 2001 included a reduction in travel and entertainment when compared to 2000, offset by the expense associated with the settlement of certain litigation in 2001.

During 2000, the limited partners' interest in the earnings of PMT was $1.2 million. We purchased the net assets of PMT on November 13, 2000 as part of our demutualization. Therefore, there was no reduction in earnings during 2001 as a result of the sharing of profits with the limited partners of this entity.

Income Tax Provision

We recorded a tax provision of $50.7 million in 2001, compared to a tax benefit of $5.9 million in 2000. The effective tax rate was 40.3% in 2001 and 36.1% in 2000.

Liquidity and Capital Resources

Cash and cash equivalents totaled $339.3 million at December 31, 2002 compared to $69.1 million at December 31, 2001. The $270.2 million increase from December 31, 2001 to December 31, 2002 resulted primarily from the change in our investment policy to convert our marketable securities to more short-term investments. Our revised investment policy, implemented in the third quarter of 2002, allows us to invest in institutional money market funds with a fund balance over $1.0 billion and certain U.S. Treasury and Government agency securities, provided these securities will mature at par value within seven days of purchase. This new policy resulted in a $148.6 million increase in the balances invested in money market funds and securities that are treated as cash equivalents. In addition, our initial public offering was completed on December 11, 2002 and resulted in net proceeds of approximately $117.5 million.Our operations for the year ended December 31, 2002 also contributed to the increase in cash and cash equivalents since December 31, 2001. Partially offsetting these increases was the June 28, 2002 payment of a $17.3 million dividend to owners of our common stock. During 2002 and 2001, the balance retained in cash and cash equivalents was a function of anticipated or possible short-term cash needs, prevailing interest rates, our investment policy and alternative investment choices.

Other current assets readily convertible into cash include accounts receivable. When combined with cash and cash equivalents, these assets represented 72.0% of our total assets at December 31, 2002, excluding cash performance bonds and security deposits and investment of securities lending proceeds, compared to 33.4% at December 31, 2001. The increase from December 31, 2001 to year-end 2002 resulted primarily from the net proceeds of our initial public offering and cash generated by operations during 2002, and was partially offset by purchases of capital assets and the dividend payment. Cash performance bonds and security deposits, as well as investment of securities lending proceeds, are excluded from total assets and total liabilities for purposes of this comparison.

Each clearing firm is required to deposit and maintain a specified performance bond balance based on the number of open contracts at the end of each trading day. Performance bond requirements can be satisfied with cash, U.S. Government securities, bank letters of credit or other approved investments. Cash performance bonds and security deposits are included in our consolidated balance sheets and fluctuate due to the investment choices available to clearing firms and changes in the amount of deposits required. Securities lending transactions utilize a portion of the securities that clearing firms have deposited to satisfy their proprietary performance bond requirements. The balance in our securities lending activity fluctuates based on the amount of securities that clearing firms have deposited and the demand for securities lending activity in the particular securities available to us. As a result of these factors, the balances in cash performance bonds and security deposits, as well as the balances in our securities lending program, may fluctuate significantly over time. In general, the balance of cash performance bonds and security deposits has increased in recent years. Our securities lending program began in June 2001. Since that time, our securities lending balances have, as of the end of each quarter, ranged from a low of approximately $131.3 million at September 30, 2001 to a high of $985.5 million at December 31, 2002.

Cash performance bonds and security deposits and securities lending proceeds consisted of the following at December 31, 2002 and 2001:

(in thousands)		2002		2001
Cash Performance Bonds	$	1,805,052	$	848,391
Cash Security Deposits		22,939		6,836
Total Cash Performance Bonds and Security Deposits	$	1,827,991	$	855,227
Proceeds from Securities Lending and Payable Under Securities Lending Agreements		985,500		882,555
Total	$	2,813,491	$	1,737,782

As discussed above, clearing firms may also deposit U.S. Government securities and other approved investments, including deposits in our IEF program, to satisfy their performance bond and security deposit requirements. With the exception of the portion of securities deposited that are utilized in our securities lending program, assets of this nature are not included in our consolidated balance sheets. We are required under the Commodity Exchange Act to segregate cash and securities deposited by clearing firms on behalf of customers. In addition, our exchange rules require a segregation of all funds and securities deposited by clearing firms from exchange operating funds and securities. As with cash performance bonds and security deposits, these balances will fluctuate due to the investment choices available to clearing firms and the change in the amount of total deposits required. Securities, at fair market value, and IEF funds were deposited for the following purposes at December 31, 2002 and 2001:

(in thousands)	2002	2001
Performance Bonds	$ 25,278,903	$ 27,208,994
Security Deposits	896,192	694,323
Cross-margin Securities Held Jointly with Options Clearing Corporation	636,848	422,996
Total	$ 26,811,943	$ 28,326,313

Included in other assets at December 31, 2002 is $17.3 million of deferred tax assets resulting primarily from depreciation, stock-based compensation and deferred compensation. There is no valuation reserve for these assets as we expect to fully realize their value in the future based on our expectation of future taxable income.

Historically, we have met our funding requirements from operations. Net cash provided by operating activities was $141.1 million for 2002 and $120.6 million for 2001. The cash provided by operations increased in 2002 as a result of our improved operating results. The net cash provided by operating activities exceeded our net income in 2002 primarily as a result of non-cash expenses, such as depreciation, which do not adversely impact our cash flow.

Cash provided by investing activities was $34.4 million for 2002 compared to cash used in investing activities of $78.2 million for 2001. The increase of $112.6 million is primarily due to the $93.8 million of proceeds received from the sale of marketable securities in excess of the cash required to purchase marketable securities as a result of the change in our investment policy. By comparison, purchases of securities exceeded sales and maturities in 2001, resulting in a net use of cash of $46.5 million. Cash used to acquire property and software increased $25.9 million, from $30.4 million for 2001 to $56.3 million for 2002. Purchases of software and equipment and leasehold improvements in 2002 included $14.5 million for our remote data center, which became operational in late September 2002, and $4.5 million to accommodate trading in single stock futures. An additional investment in OneChicago of $3.1 million was made in 2002. We continue to fund capital expenditures from current operating funds.

Cash provided by financing activities was $94.7 million for the year ended December 31, 2002 compared to cash used in financing activities of $3.9 million for 2001. The increase is due to the net proceeds received from our initial public offering in December 2002. Partially offsetting this increase was the cash dividend of $0.60 per share on Class A and Class B shares of common stock that was declared by our Board of Directors on June 4, 2002 for shareholders of record on June 17, 2002. The dividend was paid on June 28, 2002 and totaled $17.3 million. In addition, cash used in financing activities for both periods includes regularly scheduled payments on long-term debt related to our capital lease obligations.

We intend to pay regular quarterly dividends to our shareholders beginning in the first quarter of 2003. The annual dividend target will be approximately 20% of prior year's cash earnings. The decision to pay a dividend, however, remains within the discretion of our Board of Directors and may be affected by various factors, including our earnings, financial condition, capital requirements, level of indebtedness and other considerations our Board of Directors deem relevant. On February 5, 2003 the Board of Directors declared a regular quarterly dividend of $0.14 per share to be paid on March 25, 2003 for shareholders of record on March 10, 2003. The dividend payment will total $4.6 million.

We maintain a $500.0 million line of credit with a consortium of banks to be used in certain situations, such as a disruption in the domestic payments system that would delay settlement between our exchange and our clearing firms or in the event of a clearing firm default. The line of credit has never been utilized. On October 18, 2002, at the annual renewal date, the line of credit was renewed for the same amount and with substantially the same terms. The credit agreement continues to be collateralized by clearing firm security deposits held by us in the form of U.S. Treasury or agency securities, as well as security deposit funds in IEF2.

In addition, as of December 31, 2002, we were contingently liable on irrevocable letters of credit totaling $55.0 million in connection with our mutual offset system with The Singapore Derivatives Exchange Ltd. We also guarantee the principal for funds invested in the first IEF facility, which had a balance of $350.0 million as of December 31, 2002.

CME also guarantees a $2.5 million standby letter of credit for GFX. The beneficiary of the letter of credit is the clearing firm that is used by GFX to execute and maintain its foreign exchange and Eurodollar futures position. The letter of credit will be utilized in the event that GFX defaults in meeting requirements to its clearing firm. Per exchange requirements, GFX is required to place performance bond deposits with its clearing firm. In the unlikely event of a payment default by GFX, GFX's performance bond would

first be used to cover the deficit. If this amount is not sufficient, the letter of credit would be used, and finally CME would guarantee the remaining deficit, if any.

In August 2002, the lawsuit relating to Wagner patent 4,903,201 entitled "Automated Futures Trade Exchange" was settled for $15.0 million. The settlement required an initial payment of $5.0 million in September 2002 and requires five subsequent annual payments of $2.0 million each beginning in August 2003. The entire expense related to this settlement was recognized in the third quarter of 2002, at its present value of $13.7 million. In December 2002, we settled a dispute with Euronext-Paris, our licensor of the NSC software, that was the subject of the patent litigation. Under the terms of this settlement, Euronext-Paris has agreed to make payments to us totaling $7.5 million, representing one-half of the total payments agreed to in our settlement of the Wagner patent litigation. These funds will be received in two payments of $3.75 million each, with the first payment received in January 2003 followed by a final payment to be received in December 2003. The present value of the payments to be received was recognized in the fourth quarter of 2002 as a reduction of the patent litigation settlement expense recognized in the third quarter of 2002.

Capital expenditures, which includes expenditures for purchased and internally developed software as well as equipment acquired utilizing capital leases, have varied significantly from 2000 through 2002, as demonstrated in the table below:

(in millions, except percentages)	YEAR ENDED DECEMBER 31 2002	2001	2000
Total Capital Expenditures	$ 56.9	$ 36.5	$ 27.1
Technology	50.9	32.3	21.6
Percent for Technology	89.4%	88.3%	79.9%

This highlights our commitment to continual enhancements to the technology we employ. In 2002, capital expenditures included $19.1 million for purchased and internally developed software, $28.1 million for equipment purchased for our data centers and $3.1 million for leasehold improvements at our remote data center. In 2001, capital expenditures for technology included $13.9 million for purchased and internally developed software, as well as $17.3 million in equipment purchases for our data centers. These purchases were attributable primarily to increased capacity requirements and performance enhancements to our electronic platform as a result of higher trading volume. This necessitated additional equipment and software licenses. Continued capital expenditures for technology are anticipated as we continue to expand our electronic trading platform and improve the technology utilized as part of our open outcry facilities.

Each year capital expenditures also are incurred for improvements to our trading floor facilities, offices, telecommunications capabilities and other operating equipment.

If operations do not provide sufficient funds to complete capital expenditures, short-term investments can be reduced to provide the needed funds, or assets can be acquired through capital leases.

Quantitative and Qualitative Disclosures About Market Risk

Market risk represents interest rate risk relating to the marketable securities that are available for sale, as well as derivatives trading risk associated with GFX. With respect to interest rate risk, a change in market interest rates would impact interest income from temporary cash investments, cash performance bonds and security deposits, variable rate marketable securities and new purchases of marketable securities. Changes in market interest rates also would have an effect on the fair value of any marketable securities owned. However, as a result of our new investment policy that became effective in the third quarter of 2002, we invest only in cash equivalents composed primarily of institutional money market mutual funds and obligations of the U.S. Government and its agencies with maturities of seven days or less. Prior to the recent change in our investment policy, we monitored interest rate risk by completing regular reviews of our marketable securities portfolio and its sensitivity to changes in the general level of interest rates, commonly referred to as a portfolio's duration. We controlled the duration of the portfolio primarily through the purchase of individual marketable securities having a duration consistent with our

overall investment policy. In addition, under our prior investment policy, we would generally hold marketable securities to maturity, which acted as a further mitigating factor with respect to interest rate risk. GFX engages in the purchase and sale of our foreign exchange and Eurodollar futures contracts on the GLOBEX electronic trading platform to promote liquidity in our products and subsequently enters into offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market to limit market risk. Any potential impact on earnings from a change in foreign exchange rates would not be significant. Net position limits are established for each trader and currently amount to $12.0 million in aggregate notional value.

Interest Rate Risk. Interest income from marketable securities, temporary cash investments, cash performance bonds and security deposits was $5.9 million in 2002, $8.9 million in 2001 and $9.7 million in 2000. Our marketable securities experienced net realized and unrealized gains of $2.2 million in 2002, $0.7 million in 2001 and $0.6 million in 2000. At December 31, 2002, we owned no marketable securities. As a result of a change in our investment policy,marketable securities previously owned were sold during the third quarter of 2002. The proceeds from the sale of these securities have been invested in other short-term liquid investments, primarily in institutional money market mutual funds and U.S. Government and agency securities that mature within seven days of purchase.

Derivatives Trading Risk. At December 31, 2002, GFX held futures positions with a notional value of $51.9 million, offset by a similar amount of spot foreign exchange positions. All positions are marked to market through a charge or credit to other revenue on a daily basis. Net trading gains were $3.2 million for the year ended December 31, 2002 and $3.8 million for the year ended 2001.

At December 31, 2001, futures positions held by GFX had a notional value of $102.3 million, offset by a similar amount of spot foreign exchange positions, resulting in a zero net position.

Accounting Matters

Recent Accounting Pronouncements. In November 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires certain guarantees, including indemnification arrangements, to be recorded at fair value at inception, and also requires a guarantor to make significant new disclosures. For those arrangements where the company receives an explicit fee for the guarantee, FIN No. 45 requires that the company defer the fee and recognize it over the life of the arrangement. For arrangements where no explicit fee is received, FIN No. 45 requires a liability to be recorded and amortized over the life of the arrangement, along with an offsetting asset, depending on the arrangement. The company will adopt the accounting provisions of FIN No. 45 for guarantees issued beginning January 1, 2003, and has adopted the disclosure provisions for all existing guarantees as of December 31, 2002. The company is currently evaluating the impact of adopting the accounting provisions of FIN No. 45 on its consolidated financial statements.

In January 2003, the FASB issued Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities." The objective of FIN No. 46 is to improve financial reporting by achieving more consistent application of consolidation policies to variable interest entities (also referred to as special-purpose entities) and, thus, to improve comparability between enterprises engaged in similar activities even if some of those activities are conducted through variable interest entities. Prior to the issuance of FIN No. 46, a company would generally not have to include another entity in its consolidated financial statements unless it controlled the entity through voting interest. FIN No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The company will adopt FIN No. 46 on July 1, 2003 and is currently evaluating the impact of adopting FIN No. 46 on its consolidated financial statements.

MANAGEMENT'S FINANCIAL RESPONSIBILITY AND REPORT OF INDEPENDENT AUDITORS

Management is responsible for preparation of the accompanying consolidated financial statements. The statements were prepared in accordance with accounting principles generally accepted in the United States, which included amounts based on management's best estimates and judgments.

Ernst & Young LLP, independent auditor, audited our consolidated financial statements as described in their report.

The Company maintains financial control systems designed to provide reasonable assurance, at appropriate cost, that transactions authorized by management are recorded and reported properly in the consolidated financial statements, and that assets are adequately safeguarded. The control environment is complemented by the Company's internal audit function, which evaluates the adequacy of controls, policies and procedures, as well as adherence to them, and recommends improvements when applicable.

The Audit Committee of the Board of Directors meets with Ernst & Young LLP and the internal auditors in the presence of management, as well as privately, without management present. It monitors and reviews matters relating to internal controls, accounting, auditing, financial reporting and auditor independence. Both the internal auditors and the independent auditors have unrestricted access to the Committee.

/s/ JAMES J. MCNULTY	/s/ DAVID G. GOMACH	/s/ NANCY W. GOBLE
James J. McNulty President and Chief Executive Officer	David G. Gomach Managing Director and Chief Financial Officer	Nancy W. Goble Managing Director and Chief Accounting Officer

To the Board of Directors and Shareholders of Chicago Mercantile Exchange Holdings Inc.:

We have audited the accompanying consolidated balance sheets of Chicago Mercantile Exchange Holdings Inc. (a Delaware corporation) and subsidiaries (the Company) as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chicago Mercantile Exchange Holdings Inc. and subsidiaries at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 16 to the financial statements, in 2002 the Company changed its method of accounting for stock-based compensation.

/s/ ERNST & YOUNG LLP

Ernst & Young LLP
Chicago, Illinois
January 28, 2003

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	AT DECEMBER 31	
(in thousands, except share data)	**2002**	**2001 (restated)**
Assets		
Current Assets:		
Cash and cash equivalents	$ 339,260	$ 69,101
Proceeds from securities lending activities	985,500	882,555
Marketable securities	—	91,570
Accounts receivable, net of allowance of $1,232 and $962	50,865	40,986
Other current assets	11,515	6,671
Cash performance bonds and security deposits	1,827,991	855,227
Total current assets	3,215,131	1,946,110
Property, net of accumulated depreciation and amortization	109,563	100,991
Other assets	30,322	19,777

Total Assets	$ 3,355,016	$ 2,066,878
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 27,607	$ 23,834
Payable under securities lending agreements	985,500	882,555
Other current liabilities	48,396	40,229
Cash performance bonds and security deposits	1,827,991	855,227
Total current liabilities	2,889,494	1,801,845
Long-term debt	2,328	6,650
Other liabilities	17,055	10,017
Total liabilities	2,908,877	1,818,512
Shareholders' Equity:		
Preferred stock, $0.01 par value, 9,860,000 shares authorized, none issued and outstanding	—	—
Series A junior participating preferred stock, $0.01 par value, 140,000 shares authorized, none issued and outstanding	—	—
Class A common stock, $0.01 par value, 138,000,000 shares authorized, 32,530,372 shares issued and outstanding as of December 31, 2002 and 28,771,562 shares issued and outstanding as of December 31, 2001	325	288
Class B common stock, $0.01 par value, 3,138 shares authorized, issued and outstanding	—	—
Additional paid-in capital	179,669	59,229
Unearned restricted stock compensation	(665)	(1,461)
Retained earnings	266,810	190,033
Accumulated net unrealized gains on securities	—	277
Total shareholders' equity	446,139	248,366
Total Liabilities and Shareholders' Equity	$ 3,355,016	$ 2,066,878

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31		
(in thousands, except share and per share data)	**2002**	**2001 (restated)**	**2000 (restated)**
Revenues			
Clearing and transaction fees	$ 356,396	$ 292,459	$ 156,649
Quotation data fees	48,717	48,250	36,285
GLOBEX access fees	12,945	11,987	3,971
Communication fees	9,733	9,330	9,391
Investment income	7,740	8,956	9,736
Securities lending interest income	18,169	10,744	—
Other	15,379	14,904	10,520
Total Revenues	469,079	396,630	226,552
Securities lending interest expense	(15,902)	(9,477)	—
Net Revenues	453,177	387,153	226,552
Expenses			
Salaries and benefits	114,899	105,227	94,067
Stock-based compensation	3,811	6,238	8,211
Occupancy	22,400	20,420	19,629
Professional fees, outside services and licenses	32,549	27,289	23,131
Communications and computer and software maintenance	46,569	43,598	41,920
Depreciation and amortization	48,509	37,639	33,489
Patent litigation settlement	6,240	—	—
Public relations and promotion	6,514	6,326	5,219
Other	17,457	14,650	16,148
Total Expenses	298,948	261,387	241,814

Income (loss) before limited partners' interest in PMT and income taxes	154,229	125,766	(15,262)
Limited partners' interest in earnings of PMT	—	—	(1,165)
Income tax (provision) benefit	(60,162)	(50,658)	5,931
Net Income (Loss)	$ 94,067	$ 75,108	$ (10,496)
Earnings (Loss) per Common Share:			
Basic	$ 3.24	$ 2.61	$ (0.36)
Diluted	3.13	2.57	—
Weighted average number of common shares:			
Basic	29,066,242	28,774,700	28,774,700
Diluted	30,060,537	29,240,432	—

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except share and per share data)	Class A Common Stock Shares	Class B Common Stock Shares	Common Stock and Additional Paid-In Capital Amount	Unearned Restricted Stock Compensation	Retained Earnings	Accumulated Net Unrealized Securities Gains (Losses)	Total Shareholders' Equity
Balance Dec. 31, 1999	—	—	$ 43,605	$ —	$ 125,421	$ (363)	$ 168,663
Comprehensive income:							
Net loss					(10,496)		(10,496)
Change in net unrealized gain on securities, net of tax of $234						352	352
Total comprehensive income							(10,144)
Stock-based compensation			7,743				7,743
Issuance of Class A common stock	28,771,562						
Issuance of Class B common stock		3,138					
Balance Dec. 31, 2000 (restated)	28,771,562	3,138	$ 51,348	—	$ 114,925	$ (11)	$ 166,262
Comprehensive income:							
Net income					75,108		75,108
Change in net unrealized gain on securities, net of tax of $192						288	288
Total comprehensive income							75,396
Stock-based compensation			5,734				5,734
Grant of 119,000 shares of restricted Class A common stock			2,435	(2,435)			—
Amortization of unearned restricted Class A common stock				974			974
Balance Dec. 31, 2001 (restated)	28,771,562	3,138	$ 59,517	$ (1,461)	$ 190,033	$ 277	$ 248,366
Comprehensive income:							
Net income					94,067		94,067
Change in net unrealized gain on securities, net of tax of $184						(277)	(277)
Total comprehensive income							93,790
Net proceeds from initial public offering	3,712,660		117,459				117,459
Exercise of stock options	150		3				3
Cash dividend on common stock of $0.60 per share					(17,290)		(17,290)
Vesting of issued restricted Class A common stock	46,000						
Stock-based compensation			3,015				3,015
Amortization of unearned restricted Class A common stock				796			796
Balance Dec. 31, 2002	32,530,372	3,138	$ 179,994	$ (665)	$ 266,810	$ —	$ 446,139

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31

(in thousands)	2002	2001 (restated)	2000 (restated)
Cash Flows from Operating Activities:			
Net income (loss)	$ 94,067	$ 75,108	$ (10,496)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	48,509	37,639	33,489
Stock-based compensation	3,811	6,238	8,211
Deferred income tax benefit	(5,637)	(4,283)	(1,781)
Loss on investment in joint venture	2,876	281	—
Limited partners' interest in earnings of PMT	—	—	1,165
Loss (gain) on sale of marketable securities	(2,658)	(226)	14
Loss on disposal of fixed assets	7	—	—
Write-off of internally developed software	—	262	2,739
Increase (decrease) in allowance for doubtful accounts	270	(738)	1,350
Increase in accounts receivable	(10,149)	(11,722)	(8,307)
Decrease (increase) in other current assets	(4,844)	1,206	1,416
Decrease (increase) in other assets	(4,717)	(415)	859
Increase (decrease) in accounts payable	3,773	11,937	(3,821)
Increase in other current liabilities	8,792	8,213	7,120
Increase (decrease) in other liabilities	7,038	(2,931)	1,011
Net Cash Provided by Operating Activities	141,138	120,569	32,969
Cash Flows From Investing Activities:			
Purchases of property, net	(56,341)	(30,367)	(25,171)
Capital contributions to joint venture	(3,071)	(1,316)	—
Purchases of marketable securities	(43,956)	(94,008)	(43,116)
Proceeds from sales and maturities of marketable securities	137,723	47,470	59,518
Purchase of limited partners' interest in PMT	—	—	(4,183)
Net Cash Provided by (Used in) Investment Activities	34,355	(78,221)	(12,952)
Cash Flows From Financing Activities:			
Payments on long-term debt	(5,506)	(3,902)	(3,611)
Cash dividends	(17,290)	—	—
Proceeds from exercised stock options	3	—	—
Net proceeds from initial public offering	117,459	—	—
Net Cash Provided by (Used in) Financing Activities:	94,666	(3,902)	(3,611)
Net increase in cash and cash equivalents	270,159	38,446	16,406
Cash and cash equivalents, beginning of year	69,101	30,655	14,249
Cash and Cash Equivalents, End of Year	$ 339,260	$ 69,101	$ 30,655
Supplemental Disclosure Of Cash Flow Information:			
Interest paid	$ 599	$ 627	$ 892
Income taxes paid (refunded)	64,728	49,062	(5,471)
Capital leases—asset additions and related obligations	558	6,156	1,907

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Description of Business

Chicago Mercantile Exchange Holdings Inc. (CME Holdings) is a Delaware stock corporation organized in August 2001 to be the holding company for Chicago Mercantile Exchange Inc. and its subsidiaries (CME or the exchange). CME became a wholly owned subsidiary of CME Holdings through a merger of a subsidiary of CME Holdings with and into CME that was completed on December 3, 2001. At that time, existing shareholders received stock in CME Holdings for stock in CME. On December 11, 2002, CME Holdings completed an initial public offering of an additional 3.7 million shares of Class A common stock, and the Class A common stock not subject to transfer restrictions is now traded on the New York Stock Exchange (note 15). The consolidated financial statements include Chicago Mercantile Exchange Inc. and its controlled subsidiaries, which include P-M-T Limited Partnership (PMT) and GFX Corporation (GFX) as well as the holding company, CMEHoldings (collectively, the company). All intercompany transactions have been eliminated in consolidation.

The merger of CME into CME Holdings was accounted for as a pooling of interests because of the common owners before and after the transaction. These financial statements have been prepared as if the current holding company structure had been in place for all periods presented. The assets of CME Holdings consist of the net proceeds of the initial public offering and its investment in CME. CME Holdings has no liabilities other than income tax liabilities arising from investment income.

CME is a designated contract market for the trading of futures and options on futures contracts. Trades are executed through open outcry, an electronic trading platform and privately negotiated transactions. Through its in-house Clearing House Division, CME clears, settles, nets and guarantees performance of all matched transactions in its products.

CME resulted from the completion of a demutualization process whereby Chicago Mercantile Exchange, an Illinois not-for-profit membership organization, became a Delaware for-profit stock corporation. The transaction resulted in the conversion of membership interests in the Illinois corporation into stock ownership in the Delaware corporation and was completed on November 13, 2000. When the membership of the exchange approved the demutualization process, the holders of the units of PMT also approved the cash purchase of the assets and business of PMT by the exchange (note 17).

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents. Cash equivalents consist of money market mutual funds and highly liquid investments with maturities of three months or less when purchased.

Marketable Securities. Marketable securities generally have been classified as available for sale and are carried at fair value based on quoted market prices, with net unrealized gains and losses reported net of tax as a component of shareholders'equity. Interest on marketable securities is recognized as income when earned and includes accreted discount less amortized premium. Realized gains and losses are calculated using specific identification.

Additional securities held in connection with non-qualified deferred compensation plans have been classified as trading securities. These securities are included in other assets in the accompanying consolidated balance sheets at fair value, and net unrealized gains and losses are reflected in investment income.

Fair Value of Financial Instruments. Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of the fair value of financial instruments. The carrying values of financial instruments included in assets and liabilities in the accompanying consolidated balance sheets are reasonable estimates of their fair values.

Accounts Receivable. In the ordinary course of business, a significant portion of accounts receivable and revenues are from shareholders of the company. At December 31, 2002, there were approximately 70 clearing firms that are also shareholders. One firm with a significant portion of customer revenue, represented approximately 11% of our net revenues in 2002. Should a clearing firm withdraw from the exchange, management believes the customer portion of that firm's trading activity would likely transfer to another clearing firm. Therefore, management does not believe the company is exposed to significant risk from the loss of revenue received from a particular clearing firm.

Performance Bonds and Security Deposits. Performance bonds and security deposits held by the exchange for clearing firms may be in the form of cash or securities. Cash performance bonds and security deposits are reflected in the accompanying consolidated balance sheets. Cash received may be invested, and any interest received accrues to the exchange. These investments are overnight transactions in U.S. Government securities acquired through and held by a broker-dealer of a subsidiary of a bank.

Securities deposited by clearing firms consist primarily of short-term U.S. Treasury securities and are not reflected in the accompanying consolidated balance sheets. These securities are held in safekeeping, although a portion of the clearing firms' proprietary performance bond deposits may be utilized in securities lending transactions. Interest and gain or loss on securities deposited to satisfy performance bond and security deposit requirements accrues to the clearing firm.

Property. Property is stated at cost less accumulated depreciation and amortization. Depreciation on furniture, fixtures and equipment is provided on the straight-line method over the estimated useful lives of the assets, generally three to seven years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining term of the applicable leases. Maintenance and repair items as well as certain minor purchases are charged to expense as incurred. Renewals and betterments are capitalized.

Software. The company capitalizes certain costs of developing internal software in accordance with the American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" (SOP 98-1). Capitalized costs generally are amortized over three years, commencing with the completion of the project. The depreciable life of purchased software is four years.

Impairment of Assets. The company reviews its long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Revenue Recognition. The company's revenue recognition policies comply with Staff Accounting Bulletin No. 101 on revenue recognition.

Clearing and Transaction Fees. Clearing and transaction fees include per contract charges for trade execution, clearing and GLOBEX fees. Fees are charged at various rates based on the product traded, the method of trade and the exchange trading privileges of the customer making the trade. Clearing and transaction fees are recognized as revenue when a buy and sell order are matched and the trade is cleared. Therefore, cancelled buy and sell orders have no impact on revenue recognition. On occasion, the customer's exchange trading privileges may not be properly entered by the clearing firm, and incorrect fees are charged for the transactions in the affected accounts. When this information is corrected within the time period allowed by the exchange, a fee adjustment is provided to the clearing firm. An accrual is established for estimated fee adjustments to reflect corrections to customer exchange trading privileges. The accrual is based on the historical pattern of adjustments processed. CME believes the allowances are adequate to cover potential adjustments. Exposure to losses on receivables for clearing and transaction fees is dependent on each clearing firm's financial condition as well as the Class A and B shares that collateralize fees owed to the exchange. The exchange retains the right to liquidate shares to satisfy a clearing firm's receivable.

Quotation Data Fees. Quotation data fees represent revenue received for the dissemination of market information. Revenues are accrued each month based on the number of subscribers reported by vendors. CME conducts periodic audits of the information provided and assesses additional fees as necessary. An allowance is established to cover uncollectible receivables from the market data vendors.

GLOBEX Access Fees. GLOBEX access fees represent fees for connections to the electronic trading platform and include line charges, license fees for GLOBEX software and hardware rental charges. The fees vary depending on the type of connection provided. An additional installation fee may be charged depending on the type of service requested and a disconnection fee may also be charged if certain conditions are met. Revenue is recognized monthly as the service is provided. An allowance is established to cover uncollectible receivables relating to GLOBEX access fees.

Communication Fees. Communication fees consist of equipment rental and usage charges to members and firms that utilize the various telecommunications networks and services in the Chicago facility. Revenue is billed and recognized on a monthly basis.

Stock-Based Compensation. As part of the demutualization, the company established an Omnibus Stock Plan. In 2000, a stock option was granted to the Chief Executive Officer, and stock awards were granted to certain other employees in 2001 and 2002 (note 16). Through September 30, 2002, the company accounted for these stock grants under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Stock-based compensation was reflected in the financial statements as a result of restricted stock granted to certain employees and the required variable accounting treatment for the option granted to the Chief Executive Officer. At year-end 2002, the company adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended. Under provisions of SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," the company also elected to adopt the retroactive restatement method. All prior periods presented have been restated to reflect the stock-based compensation expense that would have been recognized had the recognition provisions of SFAS No. 123 been applied to all options granted to employees. The company has elected to recognize expense relating to stock-based compensation on an accelerated basis. As a result, the expense associated with each vesting date within a stock grant is recognized over the period of time that each portion of the grant vested.

Marketing Costs. Marketing costs are incurred for production and communication of advertising as well as other marketing activities. These costs are expensed when incurred, except for costs related to the production of broadcast advertising, which are expensed when the first broadcast occurs.

Income Taxes. Deferred income taxes are determined in accordance with SFAS No. 109, "Accounting for Income Taxes," and arise from temporary differences between amounts reported for income tax and financial statement purposes. A valuation allowance is recognized if it is anticipated that some or all of a deferred tax asset may not be realized.

Segment Reporting. The company operates in two segments, CME and GFX. Based on materiality, GFX is not a reportable segment, and as a result there is no disclosure of segment information.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements, as well as the amounts of revenues and expenses reported during the period, and to disclose contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

Reclassifications. Certain reclassifications have been made to the consolidated financial statements to provide consistent presentation for all periods presented.

Recent Accounting Pronouncements. In November 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires certain guarantees, including indemnification arrangements, to be recorded at fair value at inception, and also requires a guarantor to make significant new disclosures. For those arrangements where the company receives an explicit fee for the guarantee, FIN No. 45 requires that the company defer the fee and recognize it over the life of the arrangement. For arrangements where no explicit fee is received, FIN No. 45 requires a liability to be recorded and amortized over the life of the arrangement, along with an offsetting asset, depending on the arrangement. The company will adopt the accounting provisions of FIN No. 45 for guarantees issued beginning January 1, 2003, and has adopted the disclosure provisions for all existing guarantees as of December 31, 2002. The company is currently evaluating the impact of adopting the accounting provisions of FIN No. 45 on its consolidated financial statements.

In January 2003, the FASB issued Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities." The objective of FIN No. 46 is to improve financial reporting by achieving more consistent application of consolidation policies to variable interest entities (also referred to as special-purpose entities) and, thus, to improve comparability between enterprises engaged in similar activities even if some of those activities are conducted through variable interest entities. Prior to the issuance of FIN No. 46, a company would generally not have to include another entity in its consolidated financial statements unless it controlled the entity through voting interest. FIN No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The company will adopt FIN No. 46 on July 1, 2003 and is currently evaluating the impact of adopting FIN No. 46 on its consolidated financial statements.

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3. Securities Lending

Securities lending transactions utilize a portion of the securities that clearing firms have deposited to satisfy their proprietary performance bond requirements. Under this securities lending program, CME lends a security to a third party and receives collateral in the form of cash. The majority of the cash is then invested on an overnight basis to generate interest income. The related interest expense representspayment to the borrower of the security for the cash collateral retained during the duration of the lending transaction. Securities on loan are marked to market daily and compared to collateral received. At December 31, 2002 and 2001, the fair value of securities on loan was $985.5 million and $882.6 million, respectively. CME's policy allows lending of up to 75% of total available securities. At December 31, 2002 and 2001, securities availabletotaled $3.5 billion and $4.6 billion, respectively. The average daily amount of securities on loan for the year ended December 31, 2002 was $924.1 million. The average daily amount of securities on loan from commencement of the program on June 18, 2001 to December 31, 2001 was $632.6 million. The securities lending activity utilized some of the securities deposited by four clearing firms, one of which is a subsidiary of the bank used for executing this securities lending program. Proceeds from securities lending at December 31, 2002 were invested in a money market mutual fund sponsoredby the bank used in executing this program or held in the form of cash.

4. Marketable Securities

In the third quarter of 2002, CME changed its investment policy and converted its marketable securities to short-term investments, resulting in realized gains from the sale of marketable securities of $2.7 million that is included in investment income. The revised investment policy allows CME to invest in institutional money market funds with a fund balance over $1.0 billion and certain U.S. Treasury and Government agency securities, provided these securities will mature at par value within seven days of purchase. Balances in these short-term investments are included in cash and cash equivalents and, as a result, there are no investments classified as marketable securities at December 31, 2002.

Marketable securities included in current assets at December 31, 2001 were classified as available for sale. The amortized cost and fair value of these securities at December 31, 2001, were as follows:

(in thousands)	Amortized Cost	Fair Value
U.S. Government agency	$ 26,507	$ 26,818
State and municipal	57,231	57,390
Corporate debt	7,371	7,362
Total	$ 91,109	$ 91,570

Net unrealized gains (losses) on marketable securities classified as available for sale were reported as a component of comprehensive income and included in the accompanying consolidated statements of shareholders' equity.

5. Other Current Assets

Other current assets consisted of the following at December 31:

(in thousands)	2002	2001
Refundable income taxes	$ 1,214	$ 1,215
Prepaid pension	2,518	—
Prepaid insurance	2,656	549
Other prepaid expenses	4,572	2.609
Accrued interest receivable	264	1,637
Other	291	661
Total	$ 11,515	$ 6,671

6. Performance Bonds and Security Deposits

The exchange is a designated contract market for futures and options on futures, and clears and guarantees the settlement of all contracts traded in its markets. In its guarantor role, the exchange has precisely equal and offsetting claims to and from clearing firms on opposite sides of each contract. CME bears counterparty credit risk in the event that future market movements create conditions that could lead to clearing firms failing to meet their obligations to the exchange. CME reduces its exposure through a risk management program that includes rigorous initial and ongoing financial standards for designation as a clearing firm, initial and maintenance performance bond requirements and mandatory security deposits. Each clearing firm is required to deposit and maintain specified margin in the form of cash, U.S. Government securities, bank letters of credit or other approved investments. All obligations and non-cash margin deposits are marked to market on a daily basis, and haircuts are applied for margin and risk management purposes. Cash performance bonds and security deposits are included in the consolidated balance sheets, and balances may fluctuate significantlyover time due to the investment choices available to clearing firms and the change in the amount of deposits required.

Clearing firms, at their option, may instruct CME to invest cash on deposit for performance bond purposes in a portfolio of securities that is part of the Interest Earning Facility (IEF) program. The first IEF was organizedin 1997 as two limited liability companies. Interest earned, net of expenses, is passed on to participating clearing firms. The principal of the first IEF totaled $350.0 million at December 31, 2002 and is guaranteed by the exchange. The investment portfolio of these facilities is managed by two of the exchange's approved settlement banks, and eligible investments include U.S. Treasury bills and notes, U.S. Treasury strips and reverse repurchase agreements. The maximum average portfolio maturity is 90 days, and the maximum maturity for an individual security is 13months. Management believes that the market risk exposure relating to its guarantee is not material to the consolidated financial statements taken as a whole. In 2001, IEF2 was organized. IEF2 offers clearing firms the opportunity to invest cash performance bonds in shares of CME-approved money market mutual funds. Dividends earned on these shares, net of fees, are solely for the account of the clearing firm on whose behalf the shares were purchased. The principal of IEF2 funds is not guaranteed by the exchange. The total principal in all IEF programs was approximately $12.2 billion at December 31, 2002 and $8.3 billion at December 31, 2001.The exchange earned fees under the IEF program in the amount of $5.6 million, $3.3 million and $1.0 million during 2002, 2001 and 2000, respectively. These fees are included as other revenue.

CME, Options Clearing Corporation (OCC) and New York Clearing Corporation (NYCC) have a cross-margin arrangement, whereby a common clearing firm may maintain a cross-margin account in which the clearing firm's positions in certain CME futures and options on futures are combined with certain positions cleared by OCC and NYCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME, OCC and NYCC. In addition, CME has a cross-margin agreement with the London Clearing House (LCH), whereby clearing firms'offsetting positions with CME and LCH are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and LCH, each clearing house may reduce the firm's performance bond requirements. In April 2002, a cross-margin agreement with the Government Securities Clearing Corporation (GSCC) became effective, whereby clearing firms' offsetting positions with CME and GSCC are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and GSCC, each clearing house may reduce the firm's performance bond requirements.

Each clearing firm also is required to deposit and maintain specified security deposits in the form of cash or approved securities. In the event that performance bonds and security deposits of a defaulting clearing firm are inadequate to fulfill that clearing firm's outstanding financial obligation, the entire security deposit fund is available to cover potential losses after first utilizing operating funds of the exchange in excess of amounts needed for normal operations (surplus funds).

The exchange maintains a $500.0 million secured line of credit with a consortium of banks to provide liquidity and capacity to pay settlement variation to all clearing firms, even if a clearing firm may have failed to meet its financial obligations to CME, or in the event of a temporary disruption with the domestic payments system that would delay payment of settlement variation between the exchange and its clearing firms (note 18). Clearing firm security deposits received in the form of U.S. Treasury or agency securities, or in moneymarket funds purchased through IEF2, are used to collateralize the secured line of credit.

The exchange is required under the Commodity Exchange Act to segregate cash and securities deposited by clearing firms on behalf of their customers. In addition, exchange rules require a segregation of all funds deposited by clearing firms from exchange operating funds.

Cash and securities held as performance bonds and security deposits at fair market value at December 31 were as follows:

	2002		2001	
(in thousands)	**Cash**	**Securities and IEF Funds**	**Cash**	**Securities and IEF Funds**
Performance bonds	$ 1,805,052	$ 25,278,903	$ 848,391	$ 27,208,994
Security deposits	22,939	896,192	6,836	694,323
Cross-margin securities, held jointly with OCC	—	636,848	—	422,996
Total	$ 1,827,991	$ 26,811,943	$ 855,227	$ 28,326,313

With the exception of amounts jointly held with OCC under cross-margin agreements, these performance bonds are available to meet only the financial obligations of that clearing firm to the exchange.

In addition to cash and securities, irrevocable letters of credit may be used as performance bond deposits. At December 31, these letters of credit, which are not included in the accompanying consolidated balance sheets, were as follows:

(in thousands)	**2002**	**2001**
Performance bonds	$ 495,750	$ 908,250
Cross-margin accounts	208,900	144,000
Total Letters of Credit	$ 704,650	$ 1,052,250

7. Property

A summary of the property accounts at December 31 is presented below:

(in thousands)	**2002**	**2001**
Furniture, fixtures and equipment	$ 169,558	$ 157,997
Leasehold improvements	95,629	90,174
Software and software development costs	68,577	49,691
Total property	333,764	297,862
Less accumulated depreciation and amortization	(224,201)	(196,871)
Property, net	$ 109,563	$ 100,991

Included in property are assets that were acquired through capital leases with a cost of $22.7 million and $22.1 million (and accumulated amortization of $13.6 million and $8.9 million) at December 31, 2002 and 2001, respectively. Depreciation for these assets is included in depreciation and amortization expense.

8. Other Assets

Other assets consisted of the following at December 31:

(in thousands)	**2002**	**2001**
Deferred compensation assets	$ 7,481	$ 6,574
Net deferred tax asset	17,327	11,506
Investment in OneChicago, LLC	4,644	1,035
Other	870	662

Total	$ 30,322	$ 19,777

On August 28, 2001, CME entered into a joint venture, OneChicago, LLC, with the Chicago Board Options Exchange and the Chicago Board of Trade to trade single stock futures and futures on narrow-based stock indexes. As of December 31, 2002, CME owns approximately a 40% interest in the joint venture, and the investment is reflected in the consolidated financial statements using the equity method of accounting. The investment balance at December 31, 2002 represents CME's total capital contribution of $7.8 million, including a $3.4 million capital contribution approved in 2002 but remitted in January 2003. Total capital contributed has been reduced by CME's proportionate share of the joint venture's net loss. The net loss is included in other revenue and totaled $2.9 million and $0.3 million for the years ended December 31, 2002 and 2001, respectively.

Deferred compensation assets consist primarily of trading securities held in connection with a non-qualified deferred compensation plan. The net unrealized losses relating to the non-qualified deferred compensation plans' trading securities are included in investment income and totaled $0.8 million, $0.3 million and $0.7 million for the years ended December 31, 2002, 2001 and 2000, respectively.

9. Income Taxes

The provision (benefit) for income taxes is composed of the following:

	YEAR ENDED DECEMBER 31		
(in thousands)	**2002**	**2001**	**2000**
Current:			
Federal	$ 53,811	$ 45,031	$ (3,544)
State	11,988	9,910	(606)
Total	65,799	54,941	(4,150)
Deferred:			
Federal	(4,617)	(3,263)	(1,502)
State	(1,020)	(1,020)	(279)
Total	(5,637)	(4,283)	(1,781)
Total Provision (Benefit) for Income Taxes	$ 60,162	$ 50,658	$ (5,931)

Reconciliation of the statutory U.S. federal income tax rate to the effective tax rate is as follows:

	YEAR ENDED DECEMBER 31		
	2002	**2001**	**2000**
Statutory U.S. federal tax rate	35.0%	35.0%	(35.0)%
State taxes, net of federal benefit	4.6	4.6	(3.5)
Tax-exempt interest income	(0.3)	(0.5)	(3.0)
Nondeductible expenses	0.2	0.6	6.8
Other, net	(0.5)	0.6	(1.4)
Effective Tax Rate—Provision (Benefit)	39.0%	40.3%	(36.1)%

At December 31, the components of deferred tax assets (liabilities) were as follows:

(in thousands)	**2002**	**2001**
Deferred Tax Assets:		
Depreciation and amortization	$ 7,685	$ 7,730
Deferred compensation	3,369	2,678
Accrued expenses	6,525	1,755
Stock-based compensation	5,732	5,404
Other	887	218
Subtotal	24,198	17,785
Valuation allowance	—	—
Deferred Tax Assets	24,198	17,785
Deferred Tax Liabilities:		
Software development costs	(6,440)	(5,664)

Net unrealized gains on securities	—	(184)
Other	(431)	(431)
Deferred Tax Liabilities	(6,871)	(6,279)
Net Deferred Tax Asset	$ 17,327	$ 11,506

The company expects to realize the benefit of all deferred tax assets based on the expectation of future taxable income and, therefore, no valuation allowance has been established at December 31, 2002 or 2001.

10. Other Current Liabilities

Other current liabilities consisted of the following at December 31:

(in thousands)	2002	2001
Accrued salaries and benefits	$ 24,143	$ 23,331
Accrued fee adjustments	3,137	2,241
Current portion of long-term debt	4,669	5,294
Accrued operating expenses	9,844	4,413
Accrued federal and state income taxes	6,312	4,943
Other	291	7
Total	$ 48,396	$ 40,229

11. Commitments

Leases. The exchange has commitments under operating and capital leases for certain facilities and equipment that are accounted for in accordance with SFAS No. 13, "Accounting for Leases." Lease commitments for office space at the main location in Chicago expire in the year 2008, with annual minimum rentals ranging from $8.8 million to $9.4 million. The exchange leases trading facilities from the Chicago Mercantile Exchange Trust through October 2005, with annual minimum rentals of approximately $1.3 million, and has an option to extend the term of the lease through October 2026 with three successive seven-year extensions. Minimum annual rent for these extensions begins at $0.7 million for the period from November 2005 through October 2012 and declines to $0.2 million for the last extension from November 2019 through October 2026. Additional rental expense is incurred in connection with the trading facilities based on annual trading volume. This expense totaled $1.2 million, $1.0 million and $0.6 million for the years ended December 31, 2002, 2001 and 2000, respectively. The CME Trust is an entity that was established to provide financial assistance, on a discretionary basis, to customers of any clearing firm that becomes insolvent. No outside parties have any residual interest in the assets of the CME Trust. Leases for other locations where the exchange maintains offices expire at various times through the year 2012 with annual minimum rentals that will not exceed $0.8 million in any year. Total rental expense was approximately $19.9 million in 2002, $18.5 million in 2001 and $17.4 million in 2000.

Commitments. Commitments includes long-term liabilities (note 13) as well as contractual obligations that are non-cancelable. These contractual obligations relate to software licenses and maintenance, and telecommunication services. These amounts are expensed as the related services are used.

Future obligations under commitments in effect at December 31, 2002, including the minimum for operating leases, were as follows:

(in thousands)	Capitalized Leases	Operating Leases	Commitments
2003	$ 4,992	$ 10,765	$ 10,046
2004	2,361	10,277	6,949
2005	—	10,079	3,714
2006	—	9,178	3,253
2007	—	9,401	2,496
Thereafter	—	11,557	—
Total minimum payments	7,353	61,257	26,458
Less sublease commitments	—	(223)	—
Less amount representing interest	(356)	—	(1,272)
Total	$ 6,997	$ 61,034	$ 25,186

Licensing Agreements. The exchange has licensing agreements relating to certain stock index products. The license agreement with NASDAQ, relating to the NASDAQ-100 product that is traded on the exchange, expires in 2006, with a five-year extension unless either party gives notice of termination. The licensing agreement with Standard & Poor's Corporation terminates in 2013 and includes a clause to renegotiate potential extensions.

12. Long-Term Debt

Long-term debt consists of the long-term portion of capitalized lease obligations.

13. Other Liabilities

Other liabilities consisted of the following at December 31:

(in thousands)	2002	2001
Deferred compensation liabilities	$ 7,481	$ 6,574
Litigation settlement payable	6,803	—
Software maintenance contract	744	380
Accrued pension liability	—	715
Deferred rent	370	586
Other	1,657	1,762
Total	$ 17,055	$ 10,017

14. Employee Benefit Plans

Pension Plan. The exchange maintains a noncontributory defined benefit cash balance pension plan for eligible employees. Employees who have completed a continuous twelve-month period of employment and have reached the age of 21 are eligible to participate. The plan provides for an age-based contribution to the cash balance account and includes salary and cash bonuses in the definition of earnings. Participant cash balance accounts receive an interest credit equal to the greater of the one-year U.S. Treasury bill rate or 4%. Participants become vested in their accounts after five years. The exchange's policy is to currently fund required pension costs by the due dates specified under the Employee Retirement Income Security Act.

A reconciliation of beginning and ending balances of the benefit obligation and fair value of plan assets, the funded status of the plan, certain actuarial assumptions and the components of pension cost are indicated below:

(dollars in thousands)	2002	2001
Change In Benefit Obligation:		
Benefit obligation at beginning of year	$ 19,566	$ 16,101
Service cost	2,963	2,483
Interest cost	1,661	1,393
Actuarial loss	2,295	1,080
Benefits paid	(1,218)	(1,491)
Benefit Obligation at End of the Year	$ 25,267	$ 19,566
Change In Plan Assets:		
Fair value of plan assets at beginning of year	$ 17,898	$ 13,968
Actual return on plan assets	(934)	(708)
Employer contribution	6,402	6,129
Benefits paid	(1,218)	(1,491)
Fair Value of Assets at End of the Year	$ 22,148	$ 17,898
Funded Status at December 31:		
Plan assets less than benefit obligation	$ (3,119)	$ (1,668)
Unrecognized transition asset	(112)	(187)
Unrecognized prior service cost (credit)	1	(125)
Unrecognized net actuarial loss	5,748	1,265
Prepaid (Accrued) Benefit Cost	$ 2,518	$ (715)

	2002	2001	2000
Actuarial Assumptions as of December 31:			
Discount rate	6.75%	7.25%	7.50%
Rate of compensation increase	5.00%	5.00%	5.00%
Expected return on plan assets	9.00%	9.00%	8.00%
Components of Pension Cost:			
Service cost	$ 2,963	$ 2,483	$ 2,235
Interest cost	1,661	1,393	1,207
Expected return on plan assets	(1,443)	(1,145)	(1,017)
Amortization of prior service cost	(44)	(51)	(51)
Amortization of transition asset	(74)	(74)	(74)

Recognized net actuarial gain	106	—	—
Net Pension Cost	$ 3,169	$ 2,606	$ 2,300

Savings Plan. The exchange maintains a savings plan pursuant to Section 401(k) of the Internal Revenue Code, whereby all employees are participants and have the option to contribute to this plan. The exchange matches employee contributions up to 3% of the employee's base salary and makes an additional discretionary contribution of up to 2% of salary. Prior to 2001, this additional contribution was based on increases in annual trading volume. Total expense for the savings plan amounted to $3.1 million, $2.5 million and $2.1 million in 2002, 2001 and 2000, respectively.

Non-Qualified Plans. The following non-qualified plans, under which participants may make assumed investment choices with respect to amounts contributed on their behalf, are maintained by the exchange. Although not required to do so, the exchange invests such contributions in assets which mirror the assumed investment choices. The balances in these plans are subject to the claims of general creditors of the exchange, and totaled approximately $7.5 million and $6.6 million at December 31, 2002 and 2001, respectively.

Supplemental Plan—The exchange maintains a non-qualified supplemental plan to provide benefits for certain officers who have been impacted by statutory limits under the provisions of the qualified pension and savings plans. Total expense for the supplemental plan was $0.6 million, $0.4 million and $0.3 million in 2002, 2001 and 2000, respectively.

Deferred Compensation Plan—A deferred compensation plan is maintained by the exchange, under which eligible officers and members of the Board of Directors may contribute a percentage of their compensation or stipends and defer income taxes thereon until the time of distribution.

Supplemental Executive Retirement Plan—The exchange maintains a non-qualified defined contribution plan for senior officers. Under this plan, the exchange makes an annual contribution of 8% of salary and bonus for eligible employees. Contributions made after 1996 are subject to a vesting schedule, under which each annual contribution begins to vest after three years and is fully vested after five years. Unvested contributions are returned to the exchange if a participant leaves the employment of the exchange. Total expense for the plan, net of any forfeitures, was $0.8 million, $0.5 million and $42,000 in 2002, 2001 and 2000, respectively.

15. Capital Stock

On December 11, 2002, CME Holdings completed the initial public offering of Class A common stock. All 5,463,730 shares of Class A common stock, including an aggregate of 712,660 shares of Class A common stock covered by an over-allotment option granted by CME Holdings to the underwriters, were sold at a price to the public of $35.00 per share. Of the 5,463,730 shares sold in the offering, 3,712,660 shares were sold by CME Holdings and 1,751,070 shares were sold by selling shareholders. The aggregate proceeds to CME Holdings from the offering were approximately $129.9 million, before deducting approximately $9.1 million in underwriting discounts and commissions and an estimated $3.3 million in other expenses incurred in connection with the offering. CME Holdings did not receive any proceeds from the sale of shares by the selling shareholders.

Shares Outstanding. As of December 31, 2002, 5,463,730 shares of Class A common stock, 6,981,394 shares of Class A-1 common stock, 6,944,087 shares of Class A-2 common stock, 6,751,869 shares of Class A-3 common stock, 6,389,292 shares of Class A-4 common stock, 625 shares of Class B-1 common stock, 813 shares of Class B-2 common stock, 1,287 shares of Class B-3 common stock and 413 shares of Class B-4 common stock were issued and outstanding. CME Holdings has no shares of preferred stock issued and outstanding.

Associated Trading Rights. Each class of CME Holdings Class B common stock is associated with a membership in a specific division of the exchange. CME's rules provide exchange members with trading rights and the ability to use or lease these trading rights. Trading rights are maintained at CME and are not part of or evidenced by the Class B common stock of CME Holdings. The Class B common stock of CME Holdings is intended only to ensure that the former Class B shareholders of CME retain Board representation rights and approval rights with respect to the core rights described below.

Voting Rights. With the exception of the matters reserved to holders of CME Holdings Class B common stock, holders of common stock vote together on all matters for which a vote of common shareholders is required. In these votes, each holder of shares of Class A or Class B common stock of CME Holdings has one vote per share.

Election of Directors. The CME Holdings Board of Directors is composed of 20 members. Holders of Class A and Class B common stock have the right to vote together in the election of 14 directors. Holders of Class B-1, Class B-2 and Class B-3 common stock have the right to elect the remaining six directors, of which three are elected by Class B-1 shareholders, two are elected by Class B-2 shareholders and one is elected by Class B-3 shareholders.

Core Rights. Holders of Class B shares have the right to approve changes in specified rights relating to the trading privileges associated with those shares. These core rights include allocation of products that a holder of trading rights is permitted to trade through the exchange; the trading floor access rights and privileges that a member has; the number of memberships in each membership class and the number of authorized and issued shares of Class B common stock associated with that class; and eligibility requirements to exercise trading rights associated with Class B shares. Votes on changes to these core rights are weighted by class. Each class of Class B common stock has the following number of votes on matters relating to core rights: Class B-1, six votes per share; Class B-2, two votes per share; Class B-3, one vote per share, and Class B-4, 1/6th of one vote per share. The approval of a majority of the votes cast by the holders of shares of Class B common stock is required in order to approve any changes to core rights. Holders of shares of Class A common stock do not have the right to vote on changes to core rights.

Dividends. Holders of Class A and Class B common stock of CME Holdings are entitled to receive proportionately such dividends, if any, as may be declared by the CME Holdings Board of Directors.

Transfer Restrictions.

Class A Common Stock—Each class of CME Holdings Class A common stock is identical, except that the shares of Class A-1, A-2, A-3 and A-4 common stock are subject to transfer restrictions contained in CME Holdings' Certificate of Incorporation. The number of shares outstanding at December 31, 2002 and the timing of the expiration of the transfer restrictions are set forth below. Until these transfer restrictions lapse, shares of Class A-1, A-2, A-3 and A-4 common stock may not be sold or transferred separately from a share of Class B common stock, subject to limited exceptions specified in CME Holdings' Certificate of Incorporation. There are no restrictions on the shares of Class A common stock sold in the initial public offering.

	Shares Outstanding	Transfer Restrictions Expire
Class A	5,463,730	Not restricted
Class A-1	6,981,394	June 10, 2003
Class A-2	6,944,087	December 7, 2003
Class A-3	6,751,869	June 4, 2004
Class A-4	6,389,292	June 4, 2004
Total Class A Shares Outstanding	32,530,372	

The expiration of the transfer restrictions on Class A-1 and A-2 stock may be extended an additional 60 days to allow for the completion of a secondary sale of company stock, provided notice is given no later than 30 days prior to the expiration date of the transfer restrictions. Under certain circumstances, transfer restrictions for Class A-1 and A-2 stock may continue until the final expiration date if a shareholder elects not to participate in a successful secondary sale.

Class B Common Stock—Each class of CME Holdings Class B common stock is subject to transfer restrictions contained in the Certificate of Incorporation of CME Holdings. These transfer restrictions prohibit the sale or transfer of any shares of Class B common stock separate from the sale of the associated trading rights in the exchange.

Shareholder Rights Provisions. The Board of Directors of CME Holdings has adopted a plan creating rights that entitle CME Holdings' shareholders to purchase shares of CME Holdings stock in the event that a third party initiates a transaction designed to take over the company. This rights plan is intended to encourage persons seeking to acquire control of CME Holdings to engage in arms-length negotiations with the Board of Directors and management. The rights are attached to all outstanding shares of CME Holdings common stock, and each right entitles the shareholder to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock at a purchase price of $105 per unit. The rights will separate from the common stock of the company; (1) 10 days after a person or group seeks to acquire CME Holdings through a public announcement by such person or group that they have acquired 15% or more of the outstanding shares of CME Holdings; or (2) 10 business days after the commencement of a tender offer by such person or group. If either of these two events occur, each holder of a right shall receive, upon exercise, Class A common stock having a value equal to two times the exercise price of the right.

Omnibus Stock Plan. CME Holdings has adopted an Omnibus Stock Plan under which stock-based awards may be made to employees. A total of 2.7 million Class A shares have been reserved for awards under the plan. Awards totaling 2.6 million shares are outstanding under this plan at December 31, 2002 (note 16).

16. Stock Options

At year-end 2002, the company elected to account for stock options under SFAS Statement No. 123 "Accounting for Stock-Based Compensation," as amended. Under the provisions of SFAS

No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure," the company elected to adopt the retroactive restatement method, and operating results for 2000, 2001 and the first nine months of 2002 have been restated to reflect this change. From the grant date until the date of demutualization, or November 13, 2000, the company accounted for the option to the CEO in a manner similar to a stock appreciation right in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans (An Interpretation of APB Opinions No. 15 and 25)." Prior to adopting SFAS No. 123, or from the date of demutualization through September 30, 2002, the company accounted for its stock options using the intrinsic value method under the provisions of APB Opinion No. 25 "Accounting for Stock Issued to Employees."

For 2002, total stock-based compensation expense using the fair value method totaled $3.8 million. If the provisions of SFAS No.123 had not been adopted at year-end 2002, stock-based compensation expense for the year 2002 would have totaled $36.9 million, resulting in a reduction in net income of $20.2 million from the net income reflected in our consolidated financial statements. As a result of the restatement and retroactive application of SFAS No. 123, the impact on net income (loss) and earnings (loss) per share is as follows for the periods presented:

	YEAR ENDED DECEMBER 31	
(dollars in thousands, except per share data)	2001	2000
Net income (loss), as previously reported	$ 68,302	$ (5,909)
Decrease (increase) in stock-based compensation expense	11,401	(7,179)
Tax effect	(4,595)	2,592
Net income (loss), as restated	$ 75,108	$ (10,496)
Earnings (loss) per share, as previously reported:		
Basic	$ 2.37	$ (0.21)

Diluted		2.33		—
Earnings (loss) per share, as restated:				
Basic	$	2.61	$	(0.36)
Diluted		2.57		—

On February 7, 2000, an option was granted to the President and Chief Executive Officer, James J. McNulty, to purchase 5% of the common stock of the company, as represented by an equivalent percentage of all Class A and Class B common stock issued at the date of demutualization. One-half of the option (Tranche A), or 2.5% of all common stock at the date of demutualization, has an aggregate exercise price of $21.8 million, which was estimated to be 2.5% of the fair value of the exchange at the grant date. Since demutualization had not been completed at the grant date, the fair value of CME was calculated based on the average value of all exchange memberships. The option for the remaining 2.5% of all common stock at the date of demutualization (Tranche B) has an aggregate exercise price of $32.8 million, or 3.75% of the fair value of the exchange at the grant date. As a result of the reorganization into a holding company structure, the Class A share equivalents previously embedded in the Class B shares of CME were converted into Class A shares of CME Holdings. Since the stock option for the CEO is for 5% of all classes of stock outstanding at the date of demutualization, and additional Class A shares were issued in the reorganization, the total number of Class A shares in the CEO option increased by 145,543 shares. At December 31, 2002, the CEO's option included 1,438,578 Class A and 156 Class B shares with a total exercise price of $54.6 million. Under the option agreement, the exercise of the option can be settled with any combination of shares of Class A common stock or cash, at the discretion of the company.

The CEO option vests over a four-year period, with 40% vesting one year after the grant date and 20% vesting on that same date in each of the following three years. The term of the option is 10 years. As of December 31, 2002, all of the option remained outstanding. Although the option is for all classes of common stock outstanding, any exercise of the option must be for all or a portion of the option that is vested at the date of exercise.The CEO cannot elect to exercise the option for only certain classes of stock included in the option. The CEO option represented $1.8 million of stock-based compensation expense in 2002.

In 2001 and in December 2002, concurrent with the company's initial public offering, CME granted stock options to various employees under the Omnibus Stock Plan. The options vest over a four-year period, with 40% vesting one year after the grant date and 20% vesting on that same date in each of the following three years. The options have a 10-year term. Compensation expense of $4.6 million relating to employee stock options will be recognized over the vesting period. Restricted stock grants of 119,000 shares were also awarded to certain executives in 2001 that have the same vesting provisions as the stock options. Compensation expense of $2.4 million relating to restricted stock will be recognized over the vesting period. The employee options and restricted stock grants represented $1.2 million and $0.8 million, respectively, of stock-based compensation expense in 2002.

The fair value of the Chief Executive Officer's option was $14.4 million, measured at the demutualization date under the minimum value method. This method was used since, at the date of demutualization, there was not an independent established public trading market for Class A shares. Significant assumptions used to calculate fair value included: risk-free interest rate of 5.11%, expected life equal to the maximum term of the option and no expected dividends. The fair value of the option granted to employees in 2001 was $4.2 million, measured at the grant date under the minimum value method. A risk-free interest rate of 5.40% was used over a period of five years with no expected dividends. The fair value of the options granted to employees in 2002 was $0.4 million, measured at the grant date using the Black-Scholes method of valuation, as a public market for the Class A shares had been established as a result of the completion of the initial public offering. A risk-free rate of 3.50% was used over a period of six years with a 41% volatility factor and a 1.43% dividend yield.

The following table summarizes stock option activity for the three-year period ended December 31, 2002:

	Number of Shares	
	Class A	**Class B**
Balance at December 31, 1999		
Granted	1,293,035	156
Exercised	—	—
Cancelled	—	—
Balance at December 31, 2000	1,293,035	156
Granted	1,176,500	—
Adjustment for reorganization	145,543	—
Exercised	—	—
Cancelled	(3,750)	—
Balance at December 31, 2001	2,611,328	156
Granted	27,000	—
Exercised	(150)	—
Cancelled	(115,200)	—
Balance at December 31, 2002	2,522,978	156

Total stock options outstanding and the portion of each option that can be exercised at December 31, 2002 are as follows:

	Total Options Outstanding	Exercisable Shares
CEO Option		
Tranche A:		

Class A shares	719,289	431,573
Class B shares	78	47
Tranche B:		
Class A shares	719,289	431,573
Class B shares	78	47
Employee Options		
Class A shares	1,084,400	422,960
Total Stock Options	2,523,134	1,286,200

Employee options granted in 2001 all have an exercise price of $22.00 per share, and options granted in 2002 have an exercise price of $35.00 per share, the offering price of the initial public offering. The employee options granted in 2001 are 40% vested at December 31, 2002. No portion of the 2002 options are vested at December 31, 2002. If the CEO exercised his option at December 31, 2002 for the 60% that was vested at that date, the vested exercise price of $32.8 million was paid in cash and only Class A shares were issued to satisfy the option, the CEO would have received 768,273 Class A shares for each Tranche, or a total of 1,536,546 Class A shares, based on the value of the option and the closing price of our publicly traded Class A shares on that date. The CEO option has a total exercise price of $54.6 million. A total of 2,560,912 Class A shares would be required at December 31, 2002 to satisfy the total CEO option outstanding with Class A shares, based on the value of the option and closing price of our publicly traded shares at that date. This total also assumes that cash is received for the entire exercise price of the option.

17. P-M-T Limited Partnership

CME was the general partner, and members and clearing firms of CME were limited partners, in P-M-T Limited Partnership (PMT), an Illinois limited partnership. PMT was formed in 1987 to initiate the development of the GLOBEX global electronic trading platform. Since December 1998, the current version of this system has been operated by the exchange using electronic trading software licensed from ParisBourse^{sbf}SA (now Euronext-Paris). CME charged PMT for services provided.

The limited partners of PMT approved the sale of all of the assets and business of PMT to the exchange as part of the demutualization process. The sale was effective November 13, 2000. The purchase price was $5.1 million and was based on an independent appraisal of PMT. Total distribution to the partners of PMT was the purchase price plus interest of 1% over prime from the date of sale to the date of distribution, and included a payment to CME as general partner of $1.1 million. The transaction was recorded using the purchase method of accounting and was effected at an amount approximately equal to the net assets of PMT. As a result, no goodwill or adjustment to the carrying value of assets was required.

PMT reported net income of $1.4 million for the period from January 1, 2000 to November 13, 2000. If the assets and business of PMT had been purchased by the exchange as of January 1, 2000, the net operating loss of CME for 2000 would have been reduced by approximately $0.6 million, or a reduction of the basic loss per share of $0.02.

18. Credit Facility

On October 18, 2002, the exchange renewed its $500.0 million secured committed line of credit with a consortium of banks. The secured credit agreement, which expires on October 18, 2003, is collateralized by clearing firm security deposits held by the exchange in the form of U.S. Treasury or agency securities, as well as security deposit funds in IEF2. The amount held as collateral at December 31, 2002 was $882.4 million. The facility, which has never been used, may be utilized in certain situations, such as a temporary disruption of the domestic payments system that would delay settlement between the exchange and its clearing firms, or in the event of a clearing firm default. Under the terms of the credit agreement, there are a number of covenants with which the exchange must comply. Among these covenants, the exchange is required to submit quarterly reports to the participating banks and maintain at all times a consolidated tangible net worth of not less than $90.0 million. Interest on amounts borrowed is calculated at the Fed Funds Rate plus 45/100 of 1% per annum. Commitment fees for the line of credit were $0.5 million for each of the years ended December 31, 2002, 2001 and 2000.

19. Contingencies and Guarantees

Legal Matters. In November 2002, a former employee filed a charge of discrimination with the Illinois Department of Human Rights and Equal Employment Opportunity Commission claiming that CME terminated his employment because of his race. On or about November 25, 2002, this individual also filed a three-count complaint in the Circuit Court of Cook County, Illinois alleging common law claims of retaliatory discharge, promissory estoppel, and unjust enrichment relating to termination of his employment by CME and is seeking damages in excess of $3 million. Based on its investigation to date and advice from legal counsel, management believes these claims are without merit and will defend them vigorously.

In addition, the exchange is a defendant in, and has potential for, various other legal proceedings arising from its regular business activities. While the ultimate results of such proceedings against the exchange cannot be predicted with certainty, management believes that the resolution of these matters will not have a material adverse effect on the consolidated financial position or results of operations.

Employment-Related Agreements. The exchange has an employment agreement with James J. McNulty, as its President and Chief Executive Officer, through December 31, 2003, subject to renewal by mutual agreement of the parties. Mr. McNulty's base salary for the year ended December 31, 2002 was $1.0 million. His employment agreement provides that during the agreement term his annual base salary shall be no less than $1.0 million and his annual bonus may not exceed the lesser of $1.5 million or 10% of CME's net income. Mr. McNulty is entitled to participate in CME's benefits programs and is eligible for other perquisites as approved by the Board in an amount not to exceed $50,000 for each calendar year. He was granted a Non-Qualified Stock Option and Long-Term Incentive Award in the employment agreement, which has been defined and modified through a supplement and amendments to the agreement (note 16).

In the event of a termination without cause by the exchange, Mr. McNulty shall be entitled to receive his base salary plus one-third of the maximum annual incentive bonus for the remainder of the agreement term. In addition, in the event of termination without cause by the exchange, the unvested portion of the stock option granted to Mr. McNulty would become fully vested.

Under the contract, if within two years of a "change in control"of the exchange, Mr. McNulty is terminated by the exchange or he terminates the agreement as a result of the occurrence of one of the matters defined in the agreement as "good reason," he shall be entitled to two times his base salary plus one and one-third times the maximum annual incentive bonus for which he would have been eligible, provided that the severance payments do not exceed $8.0 million. The payment would be subject to reduction to the extent that it would otherwise result in the payment of tax under Section 4999 of the Internal Revenue Code. Also, the unvested portion of Mr. McNulty's stock option would become fully vested.

The contract also provides that in the event of termination due to death or permanent disability, the exchange shall for a period of six months following such termination, continue to pay Mr. McNulty's annual base salary, as then in effect. Any unvested portion of the stock option granted to Mr. McNulty would become fully vested upon termination due to death or permanent disability, and his estate or designated beneficiary has the continued right to exercise the stock option through the end of the term of the option.

The exchange also has an employment agreement with Craig S. Donohue, as its Executive Vice President and Chief Administrative Officer, through December 31, 2004, subject to renewal by mutual agreement of the parties. Effective October 9, 2002, Mr. Donohue's annual base salary was increased to $550,000. His employment agreement provides that during the term of the agreement, his base salary shall be no less than $550,000 per year. He is entitled to participate in CME's benefits programs.

In the event of a termination without cause by the exchange, Mr. Donohue shall be entitled to receive a one-time lump sum severance payment equal to 24 months of his base salary as of the date of his termination.

Mutual Offset System. At December 31, 2002, CME was contingently liable on irrevocable letters of credit totaling $55.0 million that relate to the mutual offset agreement between CME and Singapore Exchange Derivatives Trading Ltd. (SGX). This mutual offset agreement allows a clearing firm of either exchange to execute after-hours trades at the other exchange. When a clearing firm of CME executes an after-hours trade at SGX, the resulting trade is transferred from SGX to CME, and CME assumes the financial obligation to SGX for the transferred trade. A similar obligation occurs when a clearing firm of SGX executes a trade at CME. The net position of each exchange to the other is marked-to-market daily based on the settlement prices of the applicable exchange, and settlement is made between the exchanges in cash. Since settlement prices at each exchange may differ at the end of any given trading day and Singapore is 13 to 14 hours ahead of Chicago, there may be a difference between the two settlement amounts, and there will be a difference in the timing of the settlement. To allow for adequate and timely funding of the settlement and in the unlikely event of a payment default by a clearing firm, CME and SGX each maintain irrevocable standby letters of credit payable to the other exchange. Regardless of the irrevocable letter of credit, CME guarantees all cleared transactions submitted by its members through SGX and would initiate procedures designed to satisfy these financial obligations in the event of a default, such as the use of security deposits and performance bonds of the defaulting clearing firm.

GFX Letter of Credit. CME guarantees a $2.5 million standby letter of credit for GFX. The beneficiary of the letter of credit is the clearing firm that is used by GFX to execute and maintain its foreign exchange and Eurodollar futures position. The letter of credit will be utilized in the event that GFX defaults in meeting requirements to its clearing firm. Per exchange requirements, GFX is required to place a performance bond on deposit with its clearing firm. In the unlikely event of a payment default by GFX, GFX's performance bond would first be used to cover the deficit. If this amount is not sufficient, the letter of credit would be used, and finally CME would guarantee the remaining deficit, if any.

Cross-Margin Agreements. CME, Options Clearing Corporation (OCC) and New York Clearing Corporation (NYCC) have a cross-margin arrangement, whereby a common clearing firm may maintain a cross-margin account in which the clearing firm's positions in certain CME futures and options on futures are combined with certain positions cleared by OCC and NYCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME, OCC and NYCC. If a participating firm defaults, the gain or loss on the liquidation of the firm's open position and the proceeds from the liquidation of the cross-margin account are split 47.5% each to OCC and CME and 5% to NYCC.

A cross-margin agreement with the London Clearing House (LCH) became effective in March 2000, whereby clearing firms' offsetting positions with CME and LCH are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and LCH, each clearing house may reduce the firm's performance bond requirement. In the event of a firm default, the total liquidation net gain or loss on the firm's offsetting open positions and the proceeds from the liquidation of the performance bond collateral held by each clearing house's supporting offsetting positions are split evenly between CME and LCH.

A cross-margin agreement with the Government Securities Clearing Corporation (GSCC) became effective in April 2002, whereby clearing firms' offsetting positions with CME and GSCC are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and GSCC, each clearing house may reduce the firm's performance bond requirement. In the event of a firm default, the total liquidation net gain or loss on the firm's offsetting open position is split evenly between CME and GSCC.

Additionally, for both the LCH and the GSCC cross-margining agreements, if, after liquidation of all the positions and collateral of the defaulting firm at each respective clearing organization, and taking into account any cross-margining loss sharing payments, if any of the participating clearing organizations has a remaining liquidating surplus, and any other participating clearing organization has a remaining liquidating deficit, any additional surplus from the liquidation will be shared with the other clearing houses to the extent that they have a remaining liquidating deficit. Any remaining surplus funds will be passed to the bankruptcy trustee.

Interest Earning Facility Program. Clearing firms, at their option, may instruct CME to invest cash on deposit for performance bond and security deposit purposes in a portfolio of securities that is part of the Interest Earning Facility (IEF) program. The first IEF was organized in 1997 as two limited liability companies. Interest earned, net of expenses, is passed on to participating clearing firms. The principal of the first IEF totaled $350.0 million at December 31, 2002 and is guaranteed by the exchange as long as clearing firms maintain investment balances in this portfolio. The investment portfolio of these facilities is managed by two of the exchange's approved settlement banks, and eligible investments include U.S. Treasury bills and notes,U.S. Treasury strips and reverse repurchase agreements. The maximum average portfolio maturity is 90 days, and the maximum maturity for an individual security is 13 months. If funds invested in the IEF are unavailable due to lack of liquidity in the investment portfolio, default of a repurchase counterparty, or loss in market value, CME guarantees the amount deposited by the clearing firm. Management believes that the market risk exposure relating to its guarantee is not material to the consolidated financial statements taken as a whole.

20. GFX Derivatives Transactions

GFX Corporation engages in the purchase and sale of CME foreign exchange and Eurodollar futures contracts. GFX posts bids and offers in these products on the GLOBEX electronic trading platform to maintain a market and promote liquidity in these futures products. GFX limits risk from these transactions through offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market. Formal trading limits have been established. Futures transactions are cleared by an independent clearing firm. Any residual open positions are marked to market on a daily basis, and all net realized and unrealized gains and losses are included in other revenue in the accompanying consolidated statements of income. Net trading gains amounted to $3.2 million in 2002, $3.8 million in 2001 and $4.4 million in 2000. At December 31, 2002, futures positions held by GFX had a notional value of $51.9 million, offset by a similar amount of spot foreign exchange positions, resulting in a zero net position.

21. Earnings per Share

Basic earnings per share is computed by dividing net income (loss) by the weighted average number of all classes of common stock outstanding for each reporting period. Shares outstanding are calculated as if the current holding company structure was in place for all periods presented. Diluted earnings per share is computed in a manner similar to basic earnings per share, except that the weighted average shares outstanding is increased to include additional shares from restricted stock grants and the assumed exercise of stock options, if dilutive. The number of additional shares is calculated assuming that outstanding stock options with an exercise price less than the current market price of that class of stock would be exercised, and that proceeds from such exercises would be used to acquire shares of common stock at the average market price during the reporting period. The dilutive effect of the option granted to the CEO is calculated as if the entire option, including the Class A share and Class B share portions of the option, would be satisfied through the issuance of Class A shares.

(in thousands, except share and per share data)	2002	2001 (restated)	2000 (restated)
Net Income (Loss)	$ 94,067	$ 75,108	$ (10,496)
Weighted Average Number of Common Shares:			
Basic	29,066,242	28,774,700	28,774,700
Effect of stock options	959,253	443,028	—
Effect of restricted stock grants	35,042	22,704	—
Diluted	30,060,537	29,240,432	—
Earnings (Loss) per Share:			
Basic	$ 3.24	$ 2.61	$ (0.36)
Diluted	3.13	2.57	—

22. Wagner Patent Litigation

On August 26, 2002, the lawsuit with e-Speed relating to the Wagner patent was settled for $15.0 million. The settlement required CME to make an initial $5.0 million payment in September 2002 and five subsequent annual payments of $2.0 million each beginning in August 2003. The present value of the settlement, or $13.7 million, was recognized as an expense in the third quarter of 2002.

On December 23, 2002, CME signed an agreement to resolve an indemnification dispute with Euronext-Paris related to CME's settlement of the Wagner patent litigation. Under the agreement, Euronext-Paris will pay CME $7.5 million, one-half of CME's settlement with e-Speed. CME recognized the present value of the entire $7.5 million settlement in the fourth quarter of 2002 as a reduction of the expense recognized in the third quarter of 2002. Half of the total payment due was received by CME in January 2003, and the remainder is due by year-end 2003.

23. Quarterly Information (unaudited)

As Restated: (in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year Ended December 31, 2002:					
Net revenues	$ 101,092	$ 107,532	$ 125,165	$ 119,388	$ 453,177
Income before income taxes	31,163	34,489	38,133	50,444	154,229
Net income	18,659	20,991	22,898	31,519	94,067
Earnings per share:					
Basic	$ 0.65	$ 0.73	$ 0.79	$ 1.06	$ 3.24
Diluted	0.63	0.71	0.77	1.02	3.13
Year Ended December 31, 2001:					
Net revenues	$ 92,170	$ 94,698	$ 95,329	$ 104,956	$ 387,153
Income before income taxes	32,137	34,087	26,939	32,603	125,766
Net income	19,267	20,537	15,983	19,321	75,108
Earnings per share:					
Basic	$ 0.67	$ 0.71	$ 0.56	$ 0.67	$ 2.61
Diluted	0.67	0.70	0.54	0.66	2.57

As Previously Reported: (in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter[1]	Total[1]

Year Ended December 31, 2002:					
Net income	$ 22,722	$ 18,942	$ 19,354	—	—
Earnings per share:					
Basic	$ 0.79	$ 0.66	$ 0.67	—	—
Diluted	0.76	0.64	0.65	—	—
Year Ended December 31, 2001:					
Net income	$ 17,941	$ 18,764	$ 17,776	$ 13,821	$ 68,302
Earnings per share:					
Basic	$ 0.62	$ 0.65	$ 0.62	$ 0.48	$ 2.37
Diluted	0.62	0.64	0.60	0.46	2.33

1 Fourth quarter and year-end 2002 data was not previously reported.

SHARE INFORMATION

Class A Common Stock

Initial Public Offering

On December 6, 2002, our Class A common stock began trading on the New York Stock Exchange under the ticker symbol "CME." From December 6, 2002 to December 31, 2002, the quoted price on the New York Stock Exchange for our Class A common stock fluctuated between $38.96 and $45.50 per share. The closing price of our Class A common stock on February 10, 2003 was $43.00 per share.

Prior Market

Prior to December 2002, there was no independent established public trading market for our Class A common stock. Pursuant to our charter, shares of our Class A common stock could only be sold or acquired as part of a bundle with the trading rights on our exchange and the related Class B shares. Therefore, the value of the Class A shares for periods prior to December 2002 is imputed based on prices for the bundle and prices relating to trading rights only. From December 3, 2001 to December 5, 2002, the price of our Class A common stock fluctuated between $10.49 and $33.09 per share, with an imputed price on December 5, 2002 of $33.09 per share.

Class B Common Stock

Our Class B common stock is not listed on a national securities exchange or traded in an organized over-the-counter market. Each class of CME Holdings Class B common stock is associated with a membership in a specific division of the exchange. CME's rules provide exchange members with trading rights and the ability to use or lease these trading rights. Each share of our Class B common stock can be transferred only in connection with the transfer of the associated trading rights. The memberships by class are:

- CME (Chicago Mercantile Exchange full trading rights);
- IMM (International Monetary Market);
- IOM (Index and Option Market); and
- GEM (Growth and Emerging Markets).

Class B shares and the associated trading rights are bought and sold through our Shareholder Relations and Membership Services Department. In addition, trading rights may be leased through the department. Trading rights sales are reported on our Web site at www.cme.com. Although our Class B shareholders have special voting rights, because our Class B shares have the same equitable interest in our earnings and the same dividend payments as our Class A shares, we expect that the market price of our Class B common stock, if reported separate of the associated trading rights, would be determined by the value of our Class A common stock.

Dividends

On June 4, 2002, our Board of Directors declared a special cash dividend on each outstanding and restricted share of our Class A and Class B common stock in the amount of 60 cents per share to shareholders of record as of June 17, 2002. The aggregate amount of the dividend was $17.3 million, which was paid on June 28, 2002. We did not pay a dividend in 2001.

We intend to pay regular quarterly dividends to our shareholders beginning in the first quarter of 2003. The annual dividend target will be approximately 20% of the prior year's cash earnings. CME declared its first regular quarterly dividend of 14 cents per share, payable on March 25, 2003 to Class A and Class B shareholders of record on March 10, 2003. The decision to pay a dividend remains within the discretion of our Board of Directors and may be affected by various factors, including our earnings, financial condition, capital requirements, level of indebtedness and other considerations our Board of Directors deems relevant. Our existing credit facility, as well as future credit facilities, other future debt obligations and statutory provisions, may limit our ability to pay dividends.

QuickLinks

Exhibit 23.1

Consent to incorporate Audited Financial Statements and Opinion by reference:

We consent to the incorporation by reference in the Registration Statement (Form S-8 Nos. 333-60266, 333-60266-99) pertaining to the Omnibus Stock Plan of Chicago Mercantile Exchange Holdings Inc. of our report dated January 28, 2003, with respect to the consolidated financial statements of Chicago Mercantile Exchange Holdings Inc. and subsidiaries incorporated by reference in the Annual Report (Form 10-K) for the year ended December 31, 2002.

We also consent to the incorporation by reference therein of our report dated January 28, 2003 with respect to the financial statement schedules of Chicago Mercantile Exchange Holdings Inc. and subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ Ernst & Young LLP
Chicago IL
March 21, 2003

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Exhibit 99.1

**Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Chicago Mercantile Exchange Holdings Inc. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), James J. McNulty, as Chief Executive Officer of the Company, and David G. Gomach, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James J. McNulty

Name: James J. McNulty
Title: Chief Executive Officer
Date: March 21, 2003

/s/ David G. Gomach

Name: David G. Gomach
Title: Chief Financial Officer
Date: March 21, 2003

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

QuickLinks