

CME and China Foreign Exchange Trade System (CFETS) Announce Memorandum of Understanding

Parties to Create Forum for Continuous Flow of Information and FX Expertise

CHICAGO, June 8 /PRNewswire/ -- Leaders of Chicago Mercantile Exchange Inc. (CME), the largest U.S. futures exchange and the world's largest regulated exchange marketplace for foreign exchange (FX) trading, and the China Foreign Exchange Trading System & National Interbank Funding Center (CFETS) announced today that they have signed a Memorandum of Understanding (MOU). Under the MOU, CME and the CFETS have agreed to create a forum for a continuous flow of information between the parties and for CME to provide advice, counsel, and expertise in the development of foreign exchange (FX) derivatives instruments for China.

The CFETS provides an electronic bidding system for matching spot trading of the Renminbi (RMB) against the U.S. dollar, Hong Kong dollar, Japanese yen and Euro. The CFETS also recently introduced cross-rate trading for certain foreign currencies. The State Administration of Foreign Exchange (SAFE) provides market supervision of trading on the CFETS. Through the National Interbank Funding Center, the CFETS also operates markets for RMB interbank lending and RMB bond trading. CFETS is a sub-institution of the People's Bank of China, which is ultimately responsible for macro-adjustment of the FX markets in China, as well as interbank lending and the RMB bond market.

Leading the 11-person delegation from China visiting CME was Mr. Su Ning, Deputy Governor of the People's Bank of China, accompanied by leading officials of the CFETS and the SAFE. U.S. Secretary of the Treasury John Snow attended the events at CME on behalf of the U.S. government.

In announcing the MOU at a press briefing, CME Chairman Terry Duffy said, "Asia is the next frontier for CME. This memorandum of understanding will provide our exchange the opportunity over the long-term to work in conjunction with the People's Bank of China to develop China's foreign exchange markets and increase awareness in China about the design and use of derivatives products."

Lin Yuli, President of the CFETS, said in her address, "The CFETS and CME established a friendly relationship years ago. The sincerity to and understanding of each other have laid a solid foundation for further cooperation, while the common objectives brought about closer and more profound business ties. The MOU is beneficial to both parties in that it helps the CFETS to learn international experience and, on the other hand, gives CME an opportunity to better understand China's financial market and expand market reach. The cooperation will begin with areas of product development, system construction, training, and so forth."

"Expanding global distribution of our products and adding new customers in Asia is part of CME's long-term growth strategy," said CME CEO Craig Donohue. "In the years ahead, we believe this agreement will build upon the business relationships we have established in other Asian markets, and will provide an important foundation for the development of financial markets in China and closer ties between the People's Bank of China and CME."

Leo Melamed, CME Chairman Emeritus and Senior Policy Advisor, added, "This memorandum of understanding is of world significance, as it provides clear evidence that China is moving toward a market economic order. Toward that goal, CME is delighted with the opportunity to provide financial derivatives expertise and risk management advice to financial institutions in China."

Under the terms of the MOU, the CFETS will provide CME with insights and information on the money and FX market in China, including regulations and policies, market specifications and development conditions in order to assist CME in gaining a better understanding of China's financial marketplace. In turn, CME will help CFETS become more familiar with the international FX derivatives markets practices, products and regulations, and will also provide assistance on the design of derivatives products, business development, marketing and training.

In 2003, CME traded 34 million FX futures and options contracts, its best year in this product complex since 1994. Nearly 32 million were futures, representing a 44 percent increase over the prior year. CME FX volume was 49 percent higher in the first quarter of 2004 versus last year, and eFX volume traded on GLOBEX represents nearly 70 percent of total FX volume. In May, CME and Reuters announced an agreement to bring the professional interbank FX market direct futures trading by offering CME's eFX markets to Reuters' global customer base in a spot equivalent format. This marks the first major linkage of sell side traders in the interbank FX market to CME eFX futures markets.

Chicago Mercantile Exchange Inc. (<http://www.cme.com>) is the largest futures exchange in the United States. As an

international marketplace, CME brings together buyers and sellers on its trading floors and GLOBEX® electronic trading platform. CME offers futures and options on futures primarily in four product areas: interest rates, stock indexes, foreign exchange, and commodities. The exchange moved about \$1.5 billion per day in settlement payments in the first quarter of 2004 and managed \$38.1 billion in collateral deposits at March 31, 2004. CME is a wholly owned subsidiary of Chicago Mercantile Exchange Holdings Inc. (NYSE: CME), which is part of the Russell 1000® Index.

Founded in 1994 as an outcome of forex system reform, China Foreign Exchange Trade System (CFETS), also known as the National Interbank Funding Center, is the only foreign exchange and interbank money market in China, created and governed by the People's Bank of China (PBC, the Central Bank). Instruments traded at CFETS include cash foreign currencies (US Dollar, Japanese Yen, the Euro currency, and HK Dollar against Chinese Renminbi), lending denominated in Renminbi as well as selected foreign currencies, governments, securities, and Repo transactions. CFETS also handles foreign exchange clearing for all the trading members in its foreign exchange market. Members of CFETS range from domestic commercial banks and their authorized branches, non-banking financial institutions such as insurance companies, securities companies, fund management companies, and financial companies, to foreign financial institutions that are authorized to handle Renminbi business. For more information on CFETS, log onto <http://www.chinamoney.com.cn>.

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