

## **CME Selects Renowned Economist William F. Sharpe as Inaugural Recipient of CME Fred Arditti Award for Innovation**

### **Exchange's Tradition of Innovation Exemplified by Award**

CHICAGO, Nov. 30 /PRNewswire-FirstCall/ -- The CME Center for Innovation today announced the selection of economist and Nobel Prize winner William F. Sharpe as the recipient of the 2004 CME Fred Arditti Innovation Award.

As a recognized leader in the financial services industry, CME established the Center for Innovation (CFI) in 2003. Its mission is to identify, foster and showcase examples of significant innovation and creative thinking pertaining to markets, commerce and financial services in the public and private sectors. Oversight of the CFI is provided by CME's Competitive Markets Advisory Council (CMAC), which includes three Nobel Prize winners. CMAC selected Professor Sharpe and will present him with the award at a recognition dinner to be held on January 18, 2005, at the Ritz-Carlton Hotel in Chicago.

CME's award is named after the exchange's former Chief Economist Fred Arditti, who was instrumental in developing CME's Eurodollar futures contract, the world's most actively traded futures contract. The CME Fred Arditti Innovation Award honors an individual or group whose innovative ideas, products or services have created significant change to markets, commerce or trade. The award strives to celebrate innovation that through practical application has had a positive impact on the economic well-being of individuals, industry or a nation.

In acknowledging the award, Professor Sharpe said, "I am deeply grateful to be the first recipient of this prestigious award. The CME, one of the most innovative institutions in the world, has accounted for much of the progress in using financial instruments to allow risks to be shared efficiently. It is also a special pleasure to have my name associated with that of Fred Arditti. Fred, a good friend for many years, has been instrumental in the creation of products and services based on sound financial principles. Thanks to Fred's work, financial markets are broader and deeper, making it possible to better allocate resources around the globe. It is an honor to be in such company."

Professor Sharpe, 70, who is STANCO 25 Professor of Finance, Emeritus, at Stanford University, was selected to receive this award based on his role in the development of the Capital Asset Pricing Model and the Sharpe Ratio for portfolio analysis. His pioneering efforts led to the realization of what determines risk in a diversified portfolio and the subsequent use of indices in futures, options and mutual funds.

Professor Sharpe, along with the late Merton Miller and Harry Markowitz, shared the 1990 Nobel Prize in economics for groundbreaking work in the area of financial economic theory and helped usher in the modern era of risk management. Professor Sharpe was among the first to recognize the advantages of computing and telecommunications technology in managing portfolios and understanding economic relations. He continued his work as an innovator in the practical application of financial technology. Professor Sharpe has spearheaded the use of technology to provide personalized advice and portfolio management through the Internet to 401(k) participants and other individual investors.

Myron S. Scholes, Nobel Prize-winning economist and Chairman of CMAC, said, "We are very pleased to present the first CME Fred Arditti Innovation Award to Bill Sharpe for his tremendous contributions to finance. What's striking about Bill's accomplishments is that they are multifaceted. He has been an important theoretical innovator who has had tremendous success in translating the theoretical into practical applications. He has also been innovative in his use of telecommunications and computing technology in financial applications."

CMAC Vice Chairman Leo Melamed, who is CME Chairman Emeritus and Senior Policy Advisor, added, "As a leader and driving force in modern portfolio theory, Bill Sharpe has always taken particular pleasure in facilitating the practical application of complex financial theory that he and others developed. An educator at heart, Bill's greatest contribution has perhaps been his efforts to leverage the Internet to bring his innovative and practical ideas to average investors."

In addition to Messrs. Scholes and Melamed, members of CMAC include: Gary Becker, Nobel Prize-winning economist and Professor, University of Chicago; Craig Donohue, CME Chief Executive Officer; Terry Duffy, CME Chairman; John P. Gould, Professor, University of Chicago Graduate School of Business; David Hale, international economist and founder, Hale Advisors, LLC; Robert C. Merton, Nobel Prize winning economist and Professor, Harvard Business School; and Jack Sandner, former CME Chairman and Special Policy Advisor.

The CME Fred Arditti Innovation Award is the centerpiece of CFI. The Award and the broader programming offered through CFI embody CME's long tradition of innovation in the global derivatives market. In 1972 CME was the first exchange to launch financial futures; cash settlement in 1981, stock index futures in 1982, the first electronic trading platform in 1987, E-mini

contracts in 1997, the first exchange to demutualize in 2000, and the first to become a for-profit, publicly traded exchange in 2002.

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NOTE TO EDITORS: Photos of Professor Sharpe are available upon request./ CONTACT: Media, Anita S. Liskey, +1-312-466-4613, or Pamela Plehn, +1-312-930-3446, [news@cme.com](mailto:news@cme.com), or Investors, John Peschier, +1-312-930-8491, all of Chicago Mercantile Exchange

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