

CME GROUP INC.

FORM 8-K (Current report filing)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 2, 2018

CME GROUP INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-31553
(Commission File Number)

36-4459170
(IRS Employer Identification No.)

20 South Wacker Drive, Chicago, Illinois 60606
(Address of principal executive offices) (Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 3.02. Unregistered Sales of Equity Securities.

On November 2, 2018, CME Group Inc. (the “Company”) and CME London Limited, a wholly-owned subsidiary of the Company, completed their previously announced acquisition of NEX Group plc (“NEX Group”) (the “Acquisition”). The Acquisition was effected by means of a scheme of arrangement under Part 26 of the U.K. Companies Act 2006. On November 5, 2018, as part of the consideration for the Acquisition, the Company issued to NEX Group shareholders 16,926,582 shares of Company Class A Common Stock (the “New Common Stock”). The issuance of the New Common Stock has not been registered under the Securities Act of 1933, as amended (the “Act”) or any state securities laws and was made in reliance on an exemption from the registration requirements of the Act pursuant to Section 3(a)(10) of the Act. Following the completion of the Acquisition, approximately 357,773,683 shares of Class A Common Stock of the Company are outstanding.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Following the completion of the Acquisition, on November 2, 2018, Mr. Michael Spencer, the Chief Executive Officer and a director of NEX Group, was appointed to the board of directors of the Company (“Board”). Pursuant to an amended employment agreement, entered into by and among Mr. Spencer, the Company, and NEX, Mr. Spencer has been initially appointed to the Board until the Company’s next annual meeting and it is anticipated that the Board will nominate him for re-election at the Company’s 2019 annual meeting. During the term of his amended employment agreement, Mr. Spencer will not receive any compensation for his service on the Board, other than the reimbursement of certain expenses available to all directors.

With respect to those relationships and related party transactions with the Company that are required to be disclosed pursuant to Item 404(a) of Regulation S-K, Mr. Spencer disclosed the following:

- *Exotix Holdings Ltd*. Mr. Spencer (through IPGL (Holdings) Limited (“IPGL”), a private investment company controlled by Mr. Spencer) owns approximately 87% of Exotix Holdings Ltd (“Exotix”) and NEX Group owns approximately 4% of Exotix. Exotix is a London-based provider of trade and investment services in emerging markets around the world. As part NEX Group’s acquisition of its interest in Exotix from IPGL in 2007, a loan of £1.5 million was made to an entity within the Exotix group. In September 2018, this loan together with accrued interest was capitalized as part of a restructuring exercise. During NEX Group’s fiscal year ended March 31, 2018, NEX Group provided Exotix with a loan for £0.5 million. At September 30, 2018, there was a balance due from Exotix to NEX Group of £0.5m. During NEX Group’s fiscal year ended March 31, 2018, NEX Group did not collect any revenue from Exotix.
- *Gain Capital Holdings, Inc.* Mr. Spencer (through IPGL) owns 12.6% of GAIN Capital Holdings, Inc. (“GAIN”) as well as \$52.2 million of convertible debt issued by GAIN. GAIN is a US-based, Nasdaq-listed provider of online trading service and provides market access and trade execution services in foreign exchange, contracts for difference and exchange-based products to retail investors. During NEX Group’s fiscal year ended March 31, 2018, NEX Group collected revenue of £0.2 million from GAIN. During the Company’s nine months ended September 30, 2018, the Company collected revenue of \$1.3 million from GAIN.

Also pursuant to the amended employment agreement, on November 6, 2018, Mr. Spencer transitioned from Chief Executive Officer of NEX Group to serve as a special advisor to the Company for a period of two years following the completion of the Acquisition, during which time he will continue to receive his existing salary of £750,000 and the benefits as provided to him prior to the completion of the Acquisition, other than bonus and share award opportunities.

A copy of the amended employment agreement is attached hereto as Exhibit 10.1, and the foregoing summary is qualified in its entirety by reference to the amended employment agreement, which is incorporated by reference herein.

Item 8.01 Other Events.

On November 2, 2018, the Company issued a press release announcing the completion of the Acquisition. A copy of the press release containing such announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.1	Amendment Deed, dated November 2, 2018, by and among CME Group Inc., NEX Group plc and Michael Spencer
99.1	Press Release, dated November 2, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CME Group Inc.

By: /s/ Kathleen M. Cronin

Kathleen M. Cronin

Senior Managing Director, General Counsel and Corporate Secretary

Date: November 8, 2018



AMENDMENT DEED

THIS DEED is made on November 2, 2018

BETWEEN:

- (1) **Michael Spencer**, of [*address*] (the “**Executive**”); and
- (2) **NEX Group plc**, a company incorporated in England and Wales with registered number 1001377, whose registered office is at 2 Broadgate, London, EC2M 7UR (the “**Company**”); and
- (3) **CME Group Inc.**, a corporation incorporated in Illinois with its principal executive office at 20 South Wacker Drive, Chicago, Illinois, 60606 (“**CME**”).

WHEREAS:

- (A) On 29 March 2018 the board of the Company and the board of CME announced, pursuant to Rule 2.7 of the Takeover Code, that they have agreed the terms of a recommended share and cash acquisition of the Company by CME and CME London Limited (“**Bidco**”), pursuant to which CME and Bidco will acquire the entire share capital of the Company (the “**Acquisition**”), such Acquisition to be effected by a scheme of arrangement under Part 26 of the Companies Act 2006 which requires the approval of the Company’s shareholders and the sanction of the Court.
- (B) The Executive is employed by the Company pursuant to a contract of employment, originally with Exco Management Services Limited, dated 30 September 1998, as subsequently amended by a letter from Intercapital Management Services Limited dated 22 July 1999, and letters from ICAP Management Services Limited dated 16 July 2015 and 25 February 2016 respectively (together the “**Employment Contract**”).
- (C) In connection with the Acquisition and conditional upon its completion, the Company and the Executive desire to enter into this Deed in order to amend and restate the terms of the Employment Contract.

THIS DEED WITNESSES as follows:

1. INTERPRETATION

- 1.1 The Employment Contract remains in full and force and effect, save as amended by this Deed. In the event of a conflict between the provisions of this Deed and the Employment Contract, this Deed prevails.
- 1.2 Except where the context requires otherwise, or as amended in this Deed, words and expressions defined in the Employment Contract shall have the same meaning in this Deed, save that with effect from the Effective Date, the definition of Exco Group Company shall include CME and its subsidiaries.

2. CONDITION PRECEDENT

2.1 It is a condition precedent to the effectiveness of this Deed that the Acquisition is completed.

3. DIRECTORSHIP

- 3.1 With effect from the date on which the Acquisition completes (the “ **Effective Date** ”) or as soon as practicable after the Effective Date, the Executive shall be appointed to the Board of CME. Such appointment shall be in accordance with CME’s usual terms.
- 3.2 Such appointment shall be for CME’s annual term expiring in May 2019. Provided the Executive remains in active employment by the Company (and has not given or received notice to terminate his employment) he shall be nominated for re-election to CME’s Board at CME’s shareholder meeting in May 2019.
- 3.3 From May 2020 onwards the Executive’s nomination for re-election to the Board of CME shall be subject to the absolute discretion of the CME Nominating Committee.

4. INITIAL PERIOD

- 4.1 The Executive shall remain in post as Group CEO of the Company for up to 6 months following the Effective Date (the “ **Initial Period** ”). The duration of the Initial Period shall be determined by CME in its absolute discretion and CME shall notify Executive in writing of the date the Initial Period will end.
- 4.2 During the Initial Period the Employment Contract shall remain in force without amendment, save as set out in clauses 6 to 9 below.

5. SPECIAL ADVISOR

- 5.1 With effect from the expiry of the Initial Period the Executive shall be appointed to the role of Special Advisor.
- 5.2 The Executive’s appointment as Special Advisor shall be for a limited term, to expire on the second anniversary of the Effective Date.
- 5.3 As Special Advisor the Executive will have the following duties, in addition to the general duties recorded in Clause 2 of the Employment Contract:
- (a) Assisting with and supporting the integration of the Company and its Subsidiaries (together “ **NEX** ”) business with that of CME and the combined group’s cost synergy efforts;
 - (b) Assisting with the continued evolution of the NEX businesses;

- (c) Assisting with and supporting engagement with customers in Europe, the Middle East and Asia; and
- (d) Any other duties reasonably assigned to the Executive by CME related to the NEX businesses.

6. REMUNERATION

- 6.1 During his appointment as Special Advisor the Executive shall continue to receive the basic salary and benefits provided in accordance with the Employment Contract immediately prior to the Effective Date, provided that:
 - 6.1.1 Other than the payment of any bonuses due to the Executive as at the Effective Date and as provided for in the Schedule to the Co-operation Agreement between the Company and CME dated 29 March 2018, the Executive shall not be eligible to receive any bonus or share awards from the Company.

7. PLACE OF WORK

- 7.1 During his appointment as Special Advisor the Executive may, having consulted with the Company, relocate his main place of work to a country where an Exco Group Company has an existing presence, provided that the Executive (with the Company's reasonable assistance) is able to obtain appropriate authorization to work in that country and neither the Company nor any other Exco Group Company will be responsible for any relocation, tax, ex-patriate or other costs associated with his relocation.

8. TERMINATION

- 8.1 Subject to the earlier termination of the Executive's employment by the Company in accordance with clause 11.1 of the Employment Contract, the Executive and the Company mutually agree that his employment with the Company will terminate on the second anniversary of the Effective Date (which will be the "**Termination Date**" for the purposes of the Employment Agreement).
- 8.2 The Executive acknowledges that no further notice will be given to terminate his employment on the Termination Date and that no redundancy, severance or other termination payment will be due to him other than statutory redundancy pay in relation to such termination.
- 8.3 CME and the Company may at CME's election require the Executive to work all or part of the twelve months immediately prior to the Termination Date or place him on garden leave for this period. Clause 11.7.1 of the Employment Contract is accordingly amended to replace "*for a period not exceeding nine months*" with "*for a period not exceeding 12 months*".

9. POST-TERMINATION RESTRICTIONS AND CONFIDENTIALITY

- 9.1 With effect from the Effective Date the confidentiality provision in clause 8 of the Employment Contract and the post termination restrictions in clause 13 of the Employment Contract shall remain in full force and effect save that, in accordance with clause 13.5 of the Employment Contract, the definition of Exco Group Company shall include CME and its subsidiaries.

10. ENTIRE AGREEMENT

10.1 This Deed, together with the Employment Contract constitute the entire agreement between the parties and supersedes any prior understandings, agreements or representations by or among the parties, written or oral, that may have related in any way to the Executive's employment.

11. GOVERNING LAW AND JURISDICTION

11.1 This Deed and any claim, dispute or difference (including non-contractual claims, disputes or differences) arising out of or in connection with it or its subject matter shall be governed by and construed in accordance with the law of England and Wales.

11.2 Each party irrevocably agrees to submit to the exclusive jurisdiction of the courts of England and to settle any claim, dispute or matter or difference (including non-contractual claims, dispute or matters of difference) which may arise out of or in connection with this Deed or its subject matter (including claims for set-off or counterclaim), its formation or the legal relationships established by this Deed.



IN WITNESS WHEREOF this Deed has been executed by the parties as a deed and is intended to be and is hereby delivered on the date first above written.

Executed as a deed by: CME Group Inc. acting by Terrence A. Duffy (director), in the presence of:

By: /s/ Terrence A. Duffy

/s/ Colleen M. Benda
Signature of witness

Executed as a deed by: Michael Spencer, in the presence of:

By: /s/ Michael Spencer

/s/ David Jeremy Courtenay-Stamp
Signature of witness

Executed as a deed by: NEX Group Plc acting by John W. Pietrowicz (authorized signatory), in the presence of:

By: /s/ John W. Pietrowicz

/s/ Joseph Graves
Signature of witness



CME Group Completes Acquisition of NEX, Creating a Leading Global Markets Company Across Futures, Cash and OTC

CHICAGO and LONDON, Nov. 2, 2018 – CME Group Inc. (Nasdaq: CME) today announced that it has completed its acquisition of NEX Group plc (NXG.L). The combined company will enable clients worldwide to trade futures, cash and over-the-counter (OTC) markets, optimize portfolios and analyze data to efficiently manage risk and capture opportunities.

CME Group will retire the NEX name and brand but will continue to operate its individual Markets and Optimisation businesses as sub-brands including BrokerTec, EBS, Traiana and TriOptima. Corporate headquarters will remain in Chicago, with London continuing to serve as CME Group's European headquarters.

CME Group will use its technology, futures trading and product development expertise to strengthen and scale NEX businesses, while preserving their existing market structures. The combined company's leading electronic FX and fixed income platforms will deliver new trading opportunities and simplify access by reducing the number of touchpoints to trade across platforms. In addition, the combined company's post-trade services expertise will strengthen its compression, reconciliation and processing businesses.

"We are extremely pleased to complete this acquisition and welcome NEX into CME Group," said CME Group Chairman and Chief Executive Officer Terry Duffy. "By combining the strengths of our two leading organizations, CME Group is uniquely positioned to address the changing needs of market participants worldwide. Together, we will provide efficient access to futures, cash and OTC markets, as well as post-trade services and data offerings that will further support cost-effective trading and risk management."

"Michael Spencer and his team have built NEX into a world-class company. Our combined organization will preserve the existing market structure of our various businesses while also creating efficiencies and streamlining technology for our clients. With a significantly expanded global footprint, we are committed to ensuring a smooth transition for all customers and partners going forward."

"Today NEX becomes part of the world's leading exchange group," said Michael Spencer. "Together we will continue to innovate and deliver industry-leading technology to our customers and help to drive the continued development of the financial markets. I am excited about the future for this combined group and the many new opportunities that it will provide for our employees, customers and the wider marketplace. I look forward to working with Terry, the CME Group Board of Directors and the combined team from both CME and NEX as we shape and grow the company."

As previously announced, today Spencer has joined the CME Group Board of Directors and will remain with the combined company as a Special Adviser, working with key clients, regulators and officials in EMEA and Asia.

The acquisition is expected to be immediately accretive to adjusted cash earnings per share and creates a company with pro forma 2017 annual revenue of \$4.3 billion. CME Group will begin integrating NEX business operations and anticipates run-rate cost synergies of \$200 million annually by the end of 2021.

About CME Group

As the world's leading and most diverse derivatives marketplace, CME Group (www.cmegroup.com) enables clients to trade futures, cash and OTC markets, optimize portfolios, and analyze data – empowering market participants worldwide to efficiently manage risk and capture opportunities. CME Group exchanges offer the widest range of global benchmark products across all major asset classes based on interest rates, equity indexes, foreign exchange, energy, agricultural products and metals. The company offers futures trading through the CME Globex[®] platform, fixed income trading via BrokerTec and foreign exchange trading on the EBS platform. In addition, it operates one of the world's leading central counterparty clearing providers, CME Clearing. With a range of pre- and post-trade products and services underpinning the entire lifecycle of a trade, CME Group also offers optimization services through TriOptima, and trade processing and reconciliation services through Traiana.

CME Group, the Globe logo, CME, Chicago Mercantile Exchange, Globex, and, E-mini are trademarks of Chicago Mercantile Exchange Inc. CBOT, Chicago Board of Trade, KCBT and Kansas City Board of Trade are trademarks of Board of Trade of the City of Chicago, Inc. NYMEX, New York Mercantile Exchange and ClearPort are trademarks of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc. BrokerTec, EBS, TriOptima, and Traiana are trademarks of BrokerTec Europe LTD, EBS Group LTD, TriOptima AB, and Traiana, Inc., respectively. Dow Jones, Dow Jones Industrial Average, S&P 500 and S&P are service and/or trademarks of Dow Jones Trademark Holdings LLC, Standard & Poor's Financial Services LLC and S&P/Dow Jones Indices LLC, as the case may be, and have been licensed for use by Chicago Mercantile Exchange Inc. All other trademarks are the property of their respective owners.

Forward looking statements

This Press Release contains certain forward-looking statements with respect to CME Group, NEX and combined company. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “aim”, “will”, “may”, “would”, “could” or “should” or other words of similar meaning or the negative thereof. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, economic performance, synergies, financial conditions, market growth, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the operations of the CME Group or NEX; and (iii) the effects of government regulation on the business of the CME Group or NEX.

These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CME Group, NEX, or the combined company to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of CME Group, NEX or the combined company and the environment in which each will operate in the future. These forward-looking statements are based largely on the expectations of CME Group and NEX and are subject to a number of risks and uncertainties. These include, but are not limited to, the ability to achieve the expected cost savings, synergies and other expected strategic benefits from the transaction within the time frames indicated; the integration of NEX with CME Group's operations may not be successful or may be delayed or may be more costly than expected; general industry and market conditions; general domestic and international economic conditions; and governmental laws and regulations affecting domestic and foreign operations.

All subsequent oral or written forward-looking statements attributable to CME Group, NEX, the combined company or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. Neither CME Group nor NEX undertakes any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

The form 10-K of CME Group for the year ended December 31, 2017 contains additional information regarding forward-looking statements with respect to CME Group.

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