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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2003

—OR—

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

For the transition period from to

Commission file number 001-31553

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware	**36-4459170**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
30 South Wacker Drive, Chicago, Illinois	**60606**
(Address of principal executive offices)	(Zip Code)

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

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES ☒ NO o

The number of shares outstanding of each of the registrant's classes of common stock as of June 30, 2003 was as follows: 6,697,165 shares of Class A common stock, $0.01 par value; 6,243,381 shares of Class A common stock, Class A-1, $0.01 par value; 6,722,418 shares of Class A common stock, Class A-2, $0.01 par value; 6,678,289 shares of Class A common stock, Class A-3, $0.01 par value; 6,426,422 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.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

	June 30, 2003	December 31, 2002
Assets		
Current Assets:		
Cash and cash equivalents	$ 392,835	$ 339,260
Proceeds from securities lending activities	1,057,976	985,500
Accounts receivable, net of allowance of $1,190 and $1,232	69,316	50,865
Other current assets	8,350	11,515
Cash performance bonds and security deposits	1,968,317	1,827,991
Total current assets	3,496,794	3,215,131
Property, net of accumulated depreciation and amortization	107,096	109,563
Other assets	36,360	30,322
Total Assets	$ 3,640,250	$ 3,355,016
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 29,173	$ 27,607
Payable under securities lending agreements	1,057,976	985,500
Other current liabilities	59,692	48,396
Cash performance bonds and security deposits	1,968,317	1,827,991
Total current liabilities	3,115,158	2,889,494
Long-term debt	648	2,328
Other liabilities	19,411	17,055
Total liabilities	3,135,217	2,908,877
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, 32,708,875 and 32,530,372 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	327	325
Class B common stock, $0.01 par value, 3,138 shares authorized, issued and outstanding	—	—
Additional paid-in capital	187,118	179,669
Unearned restricted stock compensation	(1,234)	(665)

Retained earnings	318,822	266,810
Total shareholders' equity	505,033	446,139
Total Liabilities and Shareholders' Equity	$ 3,640,250	$ 3,355,016

See accompanying notes to consolidated financial statements.

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

(in thousands, except share and per share data)

(unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2003	2002	2003	2002
Revenues				
Clearing and transaction fees	$ 218,207	$ 162,159	$ 115,808	$ 84,274
Quotation data fees	25,369	24,390	13,570	11,925
GLOBEX access fees	7,605	6,408	3,883	3,278
Communication fees	4,828	4,911	2,412	2,506
Investment income	3,310	2,921	2,164	1,304
Securities lending interest income	4,886	9,789	2,029	6,275
Other	8,690	6,571	4,429	3,518
Total Revenues	272,895	217,149	144,295	113,080
Securities lending interest expense	(4,488)	(8,525)	(1,904)	(5,548)
Net Revenues	268,407	208,624	142,391	107,532
Expenses				
Compensation and benefits	71,214	60,108	37,970	29,335
Occupancy	12,575	11,089	6,294	5,308
Professional fees, outside services and licenses	14,939	15,638	7,561	8,377
Communications and computer and software maintenance	23,299	21,633	11,182	11,325
Depreciation and amortization	26,532	23,151	13,321	12,337
Marketing, advertising and public relations	7,136	2,917	1,534	1,354
Other	9,588	8,436	5,159	5,007
Total Expenses	165,283	142,972	83,021	73,043
Income before income taxes	103,124	65,652	59,370	34,489
Income tax provision	(41,990)	(26,002)	(24,357)	(13,498)
Net Income	$ 61,134	$ 39,650	$ 35,013	$ 20,991
Earnings per Common Share:				
Basic	$ 1.88	$ 1.38	$ 1.07	$ 0.73
Diluted	1.81	1.33	1.03	0.71
Weighted average number of common shares:				
Basic	32,579,249	28,787,562	32,624,015	28,800,423
Diluted	33,865,296	29,706,321	33,867,000	29,656,429

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)

(unaudited)

	Class A Common Stock	Class B Common Stock	Common Stock and Additional Paid-in Capital	Unearned Restricted Stock Compensation	Retained Earnings	Accumulated Net Unrealized Securities Gains	Total Shareholders' Equity
	Shares	Shares	Amount				
Balance December 31, 2002	32,530,372	3,138	$ 179,994	$ (665)	$ 266,810	$ —	$ 446,139
Net income					61,134		61,134
Exercise of stock options	157,903		3,224				3,224
Tax benefit related to employee stock options			2,205				2,205
Quarterly cash dividends on common stock of $0.14 per share					(9,122)		(9,122)
Vesting of issued restricted Class A common stock	20,600						
Stock-based compensation			1,215				1,215
Grant of 12,800 shares of restricted Class A common stock			807	(807)			—
Amortization of unearned restricted Class A common stock				238			238
Balance June 30, 2003	32,708,875	3,138	$ 187,445	$ (1,234)	$ 318,822	$ —	$ 505,033
Balance December 31, 2001	28,771,562	3,138	$ 59,517	$ (1,461)	$ 190,033	$ 277	$ 248,366
Comprehensive income:							
Net income					39,650		39,650
Change in net unrealized gain on securities, net of tax of $560						839	839
Total comprehensive income							40,489
Cash dividend on common stock of $0.60 per share					(17,333)		(17,333)
Vesting of issued restricted Class A common stock	46,000						
Stock-based compensation			1,975				1,975
Amortization of unearned restricted Class A common stock				557			557
Balance June 30, 2002	28,817,562	3,138	$ 61,492	$ (904)	$ 212,350	$ 1,116	$ 274,054

See accompanying notes to consolidated financial statements.

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

(in thousands)

(unaudited)

	Six Months Ended June 30,	
	2003	2002
Cash Flows From Operating Activities:		
Net income	$ 61,134	$ 39,650
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,532	23,151
Stock-based compensation	1,453	2,532
Deferred income tax benefit	(4,791)	(2,839)
Loss on investment in joint venture	2,434	1,102
Gain on sale of marketable securities	—	(167)
Loss on disposal of fixed assets	927	—
Increase (decrease) in allowance for doubtful accounts	(42)	114
Increase in accounts receivable	(18,408)	(7,729)
Decrease (increase) in other current assets	3,166	(4,005)
Increase in other assets	(3,682)	(1,488)
Increase (decrease) in accounts payable	1,566	(5,386)
Increase in other current liabilities	17,842	633
Increase in other liabilities	2,356	1,332
Net Cash Provided by Operating Activities	90,487	46,900

Cash Flows From Investing Activities:		
Purchases of property, net	(24,993)	(32,667)
Capital contributions to joint venture	(3,413)	(3,071)
Purchases of marketable securities	—	(47,666)
Proceeds from sales and maturities of marketable securities	—	35,836
Net Cash Used in Investing Activities	(28,406)	(47,568)
Cash Flows From Financing Activities:		
Payments on long-term debt	(2,608)	(2,994)
Cash dividends	(9,122)	(17,333)
Proceeds from exercised stock options	3,224	—
Net Cash Used in Financing Activities	(8,506)	(20,327)
Net increase (decrease) in cash and cash equivalents	53,577	(20,995)
Cash and cash equivalents, beginning of period	339,260	69,101
Cash and cash equivalents, end of period	$ 392,835	$ 48,106
Supplemental Disclosure Of Cash Flow Information:		
Interest paid	$ 222	$ 346
Income taxes paid	34,411	34,440
Capital leases-asset additions and related obligations	—	558

See accompanying notes to consolidated financial statements.

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

1. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements have been prepared by Chicago Mercantile Exchange Holdings Inc. (CME Holdings) without audit. Certain notes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. In the opinion of management, the accompanying consolidated financial statements include all adjustments necessary to present fairly the financial position of CME Holdings as of June 30, 2003 and December 31, 2002, and the results of its operations and its cash flows for the periods indicated.

The accompanying consolidated financial statements should be read in connection with the consolidated financial statements and notes thereto in Exhibit 13.1 of the Chicago Mercantile Exchange Holdings Inc. Annual Report on Form 10-K for the year ended December 31, 2002. Quarterly results are not necessarily indicative of results for any subsequent period.

Certain reclassifications have been made to the 2002 financial statements to conform to the presentation in 2003.

2. PERFORMANCE BONDS AND SECURITY DEPOSITS

Each firm that clears futures and options on futures contracts traded on the exchange is required to deposit and maintain specified performance bonds in the form of cash, U.S. Government securities or bank letters of credit. These performance bonds are available only to meet the financial obligations of that clearing firm to the exchange. Cash performance bonds and security deposits may fluctuate due to the investment choices available to clearing firms and the change in the amount of deposits required. As a result, these assets may vary significantly over time. See Note 6 of Notes to Consolidated Financial Statements in Exhibit 13.1 to CME Holdings Annual Report on Form 10-K for the year ended December 31, 2002.

3. GUARANTEES

Interest Earning Facility. Clearing firms, at their option, may instruct Chicago Mercantile Exchange Inc. (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 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 IEFs totaled $231.9 million at June 30, 2003 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 required to be liquidated due to a clearing firm redemption transaction and funds are not immediately available due to lack of liquidity in the investment portfolio, default of a repurchase counterparty, or loss in market value, CME guarantees the amount of the requirement. FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements of Guarantees of Indebtedness of Others," requires that an entity (CME) issuing a guarantee recognize, at the inception of the guarantee, a liability equal to the fair value of the guarantee. CME has evaluated its requirements under FIN No. 45 and concluded that no significant liability is required to be recorded.

Intellectual Property Indemnifications. Some agreements with customers accessing GLOBEX® and utilizing our market data services and SPAN® software contain indemnifications from intellectual property claims that may be made against them as a result of their use of these products. The potential future claims relating to these indemnifications cannot be estimated and, therefore, in accordance with FIN No. 45, no liability has been recorded.

4. VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities—An Interpretation of Accounting Research Bulletin (ARB) No. 51." FIN No. 46 requires the primary beneficiary to consolidate a variable interest entity (VIE) if it has a variable interest that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. FIN No. 46 applies immediately to VIE's created after January 31, 2003 and is required to be adopted for periods after June 30, 2003. CME expects to adopt FIN No. 46 beginning with the reporting period ending September 30, 2003. The first IEFs as described above have been determined to be a VIE subject to consolidation (Note 3). If consolidation occurred at June 30, 2003, the effect would be to increase assets and liabilities on the consolidated balance sheet by $231.9 million, the balance in the first IEFs at that date. Such consolidation would have no significant impact on net revenues and would have no effect on net income.

CME also holds a variable interest in OneChicago, LLC, our 40% owned joint venture with the Chicago Board Options Exchange. The company has determined that it is not the primary beneficiary of the VIE and therefore does not meet the consolidation requirements under FIN No. 46.

5. LEGAL MATTERS

In November 2002, a former employee filed a complaint in the Circuit Court of Cook County, Illinois, which was subsequently amended to allege common law claims of retaliatory discharge and racial discrimination. He is seeking damages in excess of $3 million. In June 2003, the employee filed a complaint in the United States District Court for the Northern District of Illinois alleging that his employment was terminated because of his race in violation of Title VII of the Civil Rights Act of 1964, as amended, and that his termination violated Section 1981 of the Civil Rights Act of 1866, as amended. The employee is seeking reinstatement, back pay and benefits, punitive damages in the amount of $200,000, plus actual damages. CME has removed the state court action to federal court based on exclusive federal jurisdiction and to join the case with the federal court action, and the employee has filed a motion to remand the state court action. Based on its investigation to date and advice from legal counsel, management believes these claims are without merit and will defend them vigorously.

6. CAPITAL STOCK

On June 24, 2003, CME Holdings completed a secondary public offering of its Class A common stock. All 1,220,635 shares sold in the offering were sold by selling shareholders and included 75,981 shares of Class A common stock subject to stock options. The shares of Class A common stock were sold at a price to the public of $69.60 per share. CME Holdings did not receive any proceeds from the sale of shares by the selling shareholders and incurred $0.7 million in expenses in connection with the offering.

Shares Outstanding. As of June 30, 2003, 6,684,365 shares of Class A common stock, 6,231,881 shares of Class A-1 common stock, 6,710,918 shares of Class A-2 common stock, 6,666,789 shares of

Class A-3 common stock, 6,414,922 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. This does not include 58,800 shares of Class A common stock subject to restricted stock awards, which are not vested. CME Holdings has no shares of preferred stock issued and outstanding.

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 June 30, 2003 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 secondary public offering. Pursuant to CME Holdings' Certificate of Incorporation, as a result of the secondary offering, transfer restrictions on the Class A-1 shares that were not sold in the secondary offering will remain in effect until June 4, 2004.

	Shares Outstanding	Transfer Restrictions Expire
Class A	6,684,365	Not restricted
Class A-1	6,231,881	June 4, 2004
Class A-2	6,710,918	December 7, 2003
Class A-3	6,666,789	June 4, 2004
Class A-4	6,414,922	June 4, 2004
Total Class A Shares Outstanding	32,708,875	

7. STOCK OPTIONS

In June 2003, CME granted additional stock options to various employees under the Omnibus Stock Plan. The options vest over a five-year period, with 20% vesting one year after the grant date and on that same date in each of the following four years. The options have a 10-year term with an exercise price of $63.01, the market price at the grant date. In accordance with FAS 123, the fair value of the options granted to employees was $8.3 million, measured at the grant date using the Black-Scholes method of valuation. A risk-free rate of 2.52% was used over a period of six years with a 29.2% volatility factor and a 1.3% dividend yield. This compensation expense will be recognized over the vesting period. In June 2003, CME also granted 12,800 shares of restricted stock that have the same vesting provisions as the stock options granted at that time. Compensation expense of $0.8 million relating to restricted stock will be recognized over the vesting period.

The following table summarizes stock option activity for the six months ended June 30, 2003:

	Number of Shares	
	Class A	Class B
Balance at December 31, 2002	2,522,978	156
Granted	465,900	
Exercised	(127,724)	(5)
Cancelled	(10,300)	
Balance at June 30, 2003	2,850,854	151

In April 2003, the CEO exercised 6.86% of the Tranche A portion of his stock option. Under the provisions of the CEO's employment agreement, CME is allowed to provide Class A shares for the value of the Class B portion of the option. As a result, the option was satisfied through the issuance of 79,522 Class A shares, of which 49,343 were issued from the Omnibus Stock Plan. The remaining shares were issued to satisfy the Class B portion of the option and represented authorized and unissued shares of the company registered pursuant to a registration statement on Form S-8.

Total stock options and the portion that can be exercised at June 30, 2003 are as follows:

		Total Options Outstanding	Exercisable Shares
CEO Option:			
Tranche A:	Class A Shares	669,946	535,957
	Class B Shares	73	58
Tranche B:	Class A Shares	719,289	575,431
	Class B Shares	78	62
Employee Options:			
Class A Shares		1,461,619	585,431
Total Stock Options		2,851,005	1,696,939

8. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of all classes of common stock outstanding for each reporting period. Diluted earnings per share reflects the increase in shares using the treasury stock method to reflect the impact of an equivalent number of shares of common stock if stock options and restricted stock awards were exercised or converted into common stock. 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.

	Six Months Ended June 30		Three Months Ended June 30	
	2003	2002	2003	2002
	(in thousands, except share and per share data)			
Net income	$ 61,134	$ 39,650	$ 35,013	$ 20,991
Weighted Average Number of Common Shares:				
Basic	32,579,249	28,787,562	32,624,015	28,800,423
Effect of stock options	1,251,715	883,246	1,216,749	837,724
Effect of restricted stock grants	34,332	35,513	26,236	18,272
Diluted	33,865,296	29,706,321	33,867,000	29,656,429
Earnings per Share:				
Basic	$ 1.88	$ 1.38	$ 1.07	$ 0.73
Diluted	1.81	1.33	1.03	0.71

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations for the Six Months Ended June 30, 2003 Compared to the Six Months Ended June 30, 2002

Overview

Our operations for the six months ended June 30, 2003 resulted in net income of $61.1 million compared to net income of $39.7 million for the six months ended June 30, 2002. The increase in net income resulted primarily from a 28.7% increase in net revenues that was only partially offset by a 15.6% increase in operating expenses. The increase in net revenues was driven by a 34.6% increase in revenue from clearing and transaction fees that resulted from a 21.5% increase in total trading volume during the first six months of 2003 when compared to the first six months of 2002. This increase in clearing and transaction fees exceeded the percentage increase in trading volume primarily as a result of the increase in trades executed through our GLOBEX® electronic trading platform, which resulted in a higher average rate per trade, and a shift in the mix of products traded. Increases in compensation and benefits as well as the $5.1 million of expenses related to our brand advertising campaign in the first quarter of 2003 and greater depreciation expense were the primary contributors to the increase in total operating expenses.

Trading volume for the six months ended June 30, 2003 totaled 315.0 million contracts, representing an average daily trading volume of 2.5 million contracts. This was a 21.5% increase over the 259.2 million contracts traded during the same period in 2002, representing an average daily trading volume of 2.1 million contracts. Many volume trading records were established in the first six months of 2003. Daily volume for the month of June 2003 averaged 3.0 million contracts per day, the highest in CME history, and the average daily volume in March 2003 averaged 2.8 million contracts per day, the second highest in CME history. In addition, on March 17, 2003, 1.7 million contracts were traded on GLOBEX, the highest GLOBEX volume day on record, when excluding TRAKRS^{SM} volume.

Revenues

Total revenues increased $55.8 million, or 25.7%, from $217.1 million for the six months ended June 30, 2002 to $272.9 million for the six months ended June 30, 2003. Net revenues increased $59.8 million, or 28.7%, from the first half of 2002 as compared to the same period in 2003. The increase in revenues was attributable primarily to a 21.5% increase in average daily trading volume for the six months ended June 30, 2003 when compared to the six months ended June 30, 2002. In the first six months of 2003, electronic trading volume represented 42.3% of total trading volume, or nearly 1.1 million contracts per day, an 82.3% increase over the same period in 2002. Increased trading volume levels resulted from: continued volatility in currencies and U.S. stocks early in 2003; significant mortgage refinancing activity and the reduction in the Fed funds rate in June 2003 that resulted in increased volume in our interest rate products; geopolitical and economic uncertainty; increased customer demand for the liquidity provided by our markets; and product offerings that allowed customers to manage their risks. The additional clearing and transaction fees resulting from the increase in trading volume were augmented by increased revenue generated from our market data offerings, GLOBEX access fees, investment income, our fees for managing the Interest Earning Facility (IEF) program and trading revenue from GFX, our wholly owned subsidiary that utilizes GLOBEX to trade in foreign exchange and Eurodollar futures contracts. Partially offsetting these increases in revenue were modest declines in securities lending interest income, net of interest expense, and losses incurred on the trade-in of certain technology equipment.

Clearing and Transaction Fees. Clearing and transaction fees, which include clearing fees, GLOBEX electronic trading fees and other volume-related charges increased $56.0 million, or 34.6%, from $162.2 million for the six months ended June 30, 2002 to $218.2 million for the six months ended June 30, 2003. A significant portion of the increase was attributable to the 21.5% increase in average

daily trading volume. In addition to the increase in trading volume, there was a substantial increase in the percentage of trading volume executed through GLOBEX, our electronic trading platform. In the first six months of 2003, GLOBEX volume represented 42.3% of total trading volume compared to 28.2% during the same period in 2002. Also, the product mix shifted to more equity product volume. For the six months ended June 30, 2003, equity products represented 44.0% of trading volume, compared to 31.8% during the same period of 2002. By contrast, for the six months ended June 30, 2003, interest rates represented 49.5% of our volume, compared to 62.0% during the same period in 2002. Fees for interest rate products are lower than fees for equity products. In the normal course of business, we audit our clearing firms for compliance with our fee policies and assessments are issued for any deficiencies noted. Clearing and transaction fees revenue increased in the first six months of 2003 as the result of clearing firm assessments for clearing and transaction fees resulting from these audits and included one assessment for $2.5 million. In addition, clearing and transaction fees for the first six months of 2002 were reduced by $5.0 million as a result of a reserve established in June 2002 for a one-time payment to clearing firms relating to our fee adjustment policy and clearing firm account management errors. There was no similar reserve in the first six months of 2003.

The average rate, or revenue, per contract increased from $0.626 for the six months ended June 30, 2002 to $0.693 for the same period in 2003. The increase was primarily the result of the increase in percentage of trades executed through GLOBEX, which has a higher average rate per trade, and the product mix shift. In addition, the tiered pricing for Eurodollar products was changed effective March 1, 2003. The thresholds for obtaining the tiered pricing discounts were increased, and the amount of the discount was decreased. As a result, the average rate per contract during the first six months of 2003 reflects a reduction of approximately $0.018 for the effect of tiered pricing compared to a $0.040 reduction in the first six months of 2002. In addition, the clearing firm assessment for clearing and transaction fees of $2.5 million added approximately $0.008 to our average rate per contract for the six months ended June 30, 2003. With respect to the first six months of 2002, the average rate per contract was reduced by approximately $0.016 as a result of the $5.0 million reserve established in June 2002 to allow clearing firms to submit clearing fee adjustments for prior periods. Partially offsetting these factors that resulted in an increase in the average rate per contract in the first six months of 2003 was a decrease in the percentage of trades executed by non-member customers from 23% for the first half of 2002 to 22% for the first half of 2003. 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, an incentive program was implemented effective March 1, 2003 to stimulate volume in the back months of the Eurodollar futures contract, or those contract months that trade three to 10 years into the future. This program reduced our average rate per contract approximately $0.004 or $1.3 million, for the six months ended June 30, 2003. Finally, in July 2002, we began trading a new contract, Long-Short Technology TRAKRS, that was followed by two additional TRAKRS contracts through June 30, 2003. Similar to limits on certain GLOBEX fees, transaction fees for this contract are limited based on the size of the order. The average rate per contract on these trades in the first six months of 2003 was $0.011. As a result, TRAKRS volume had an adverse impact on our overall rate per contract during the six months ended June 30, 2003. If volume and fees for TRAKRS were excluded from the first half of 2003, our average rate per contract would have increased by approximately $0.008 to $0.701.

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 fee revenues expressed in total dollars and as an average rate per contract:

Product Area	Six Months Ended June 30 2003	2002	Percentage Increase/ (Decrease)
Interest Rate	1,257,513	1,295,102	(2.9)%
Equity	1,116,995	664,073	68.2
Foreign Exchange	131,707	99,446	32.4
Commodity	34,332	31,810	7.9
Total Volume	2,540,547	2,090,431	21.5
GLOBEX Volume	1,075,068	589,826	82.3
GLOBEX Volume as a Percent of Total Volume	42.3%	28.2%	
Clearing and Transaction Fee Revenues (in thousands)	$ 218,207	$ 162,159	
Average Rate per Contract	$ 0.693	$ 0.626	

With the exception of our interest rate products, we experienced an increase in trading volume in each product area in the first six months of 2003 when compared to the same period in 2002. With respect to interest rate products, in 2002, there was uncertainty related to interest rate levels that was not as evident in the first quarter of 2003. The reduction in interest rate product trading volume experienced in the first three months of 2003 was partially offset by increased trading volume in the second quarter of 2003 that resulted from mortgage refinancing activity and the 0.25% reduction in the Fed funds rate announced by the U.S. Federal Reserve Board in June 2003. Our equity product volume was influenced by the volatility in U.S. equity markets that was evident in the first three months of 2003, primarily as a result of economic conditions and geopolitical uncertainty. This volatility, combined with increased distribution to customers through GLOBEX and marketing efforts to increase awareness of our product offerings, drove the growth in volume in our equity products. The growth in foreign exchange volume is primarily due to improvements in our GLOBEX trading system and our central counterparty clearing which makes these products increasingly important to large banks and investment banks. Price levels and volatility patterns that contributed to the increase in volume in our commodity products during the first quarter of 2003 continued through the second quarter of 2003.

Our volume discounts for Eurodollar contracts changed as of March 1, 2003. This change included an increase in the volume levels that must be traded to receive the discount and a decrease in the maximum discount that could be received. Also, effective March 1, 2003, we implemented an incentive plan to promote liquidity in the back months of our Eurodollar futures by offering incentives for high volume traders. The total expense under this incentive plan will not exceed $4.0 million for the 10-month period ending December 31, 2003.

Effective September 2, 2003, we will reduce GLOBEX electronic trading customer fees that are associated with calendar spread "rolls" in our E-mini™ stock index contracts for customer accounts from $0.50 to $0.10 per side. As a result, the overall customer rate for these roll trades, when executed as a spread, will be reduced from $1.14 to $0.74 per side. A roll occurs when a position in an expiring contract is replaced by a similar position in the new front-month contract.

On that same date we will also reduce GLOBEX electronic trading system fees for Eurodollar contracts and other interest rate products from $0.25 per side to $0.10 per side for CME members, clearing members and their affiliates.

Additionally, we will establish a market maker program for Eurodollar futures traded on GLOBEX during non-floor trading hours. The electronic Eurodollar market maker program will be open to CME members, lessees and those who trade proprietary accounts at member firms. In order to participate in the market maker program, individuals or firms will be required to post sizeable bids and offers in designated Eurodollar futures contracts during non-floor trading hours, or between 2:00 p.m. and 7:20 a.m. Central Time Monday through Thursday and Sundays from 5:30 p.m.

A substantial portion of our clearing as well as 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. We currently have approximately 70 clearing firms. 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.

Quotation Data Fees. Quotation data fees increased $1.0 million, or 4.0%, from $24.4 million for the six months ended June 30, 2002 to $25.4 million for the six months ended June 30, 2003. The increase resulted primarily from the change to our fee structure that was implemented on April 1, 2003. At that time, we changed the fees for our professional service by increasing the fee for additional screens from $12 per month to $20 per month and lowering the fee for first locations from $60 per month to $50 per month. At June 30, 2003, there were approximately 58,000 subscribers to our market data and the data was accessible from approximately 176,000 screens and included approximately 25,000 subscribers to our lower-priced non-professional service. This represented a decrease of approximately 9,000 screens from June 30, 2002 when the total was approximately 185,000 screens. While the number of subscribers has increased from approximately 50,000 subscribers at June 30, 2002, the increase occurred in our lower-priced non-professional E-mini market data service. The change in the number of subscribers, screens and locations from the first half of 2002 to the first half of 2003 is consistent with the trend experienced over the course of 2002, primarily as a result of contraction within the financial services industry.

For the six months ended June 30, 2003, the two largest resellers of our market data represented approximately 50% 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.

Effective January 1, 2004, we will modify our market data pricing to a flat fee structure. Users of the professional service will be charged $30 per month for each market data screen, or device. There will no longer be a different charge for the first screen at each location.

GLOBEX Access Fees. GLOBEX access fees increased $1.2 million, or 18.7%, from $6.4 million for the six months ended June 30, 2002 to $7.6 million for the six months ended June 30, 2003. This increase resulted primarily from the additional monthly access fees generated by an increased number of GLOBEX users during the first half of 2003, particularly those accessing GLOBEX through our T-1 connection.

In July, 2003 we announced an expanded telecommunications alternative, Client DIRECTLink, for users of GLOBEX, our CLEARING 21® system and market data. This program allows participants to coordinate intercompany connectivity to CME through existing connections to major telecommunications vendors, giving them the option to order CME connections with greater capacity than the existing T-1 line offered through CME. Through this program, customers will now manage their own equipment and network. CME will charge $200 a month per 0.5 megabyte bandwidth, and the telecommunications company selected will charge an access fee that varies by customer. To the

extent that existing customers switch to this alternative, we will experience a decrease in revenue as well as in communications expense.

Communication Fees. Communication fees were relatively constant at $4.9 million for the six months ended June 30, 2002 and $4.8 million for the six months ended June 30, 2003. The number of individuals and firms utilizing our communications services and the associated rates has not changed significantly from the first six months of 2002 to the first six months of 2003.

Investment Income. Investment income increased $0.4 million, or 13.3%, from $2.9 million for the six months ended June 30, 2002 to $3.3 million for the six months ended June 30, 2003. The increase resulted primarily from an increase of approximately $3.1 million in interest income as a result of increased balances in 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, there was a $0.9 million increase 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 increase in our compensation and benefits expense. Partially offsetting these increases in investment income was 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. In the third quarter of 2002, we changed our investment policy and converted our marketable securities to short-term investments. Therefore, all investments were short-term in nature during the first half of 2003 and consisted of money market mutual funds. The average rate earned on all investments declined from approximately 2.5% in the first six months of 2002 to approximately 1.1% during the same period in 2003, representing a decrease in investment income of approximately $3.5 million.

Securities Lending Interest Income and Expense. Securities lending interest income decreased $4.9 million, or 50.0%, from $9.8 million for the six months ended June 30, 2002 to $4.9 million for the six months ended June 30, 2003. The average balance of proceeds from securities lending activity was $956.0 million for the six months ended June 30, 2002 and $736.9 million for the six months ended June 30, 2003. Securities lending interest expense decreased $4.0 million, or 47.4%, from $8.5 million for the six months ended June 30, 2002 to $4.5 million for the six months ended June 30, 2003. 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 0.26% on the average daily balance in the first half of 2002 compared to 0.11% in the first half of 2003. Beginning in 2003, we elected to make our daily offering of securities available for lending later in the business day. As a result, the number of investment choices and the related returns has decreased from 2002 to 2003.

Other Revenue. Other revenue increased $2.1 million, or 32.3%, from $6.6 million for the six months ended June 30, 2002 to $8.7 million for the six months ended June 30, 2003. This increase is attributed primarily to a $2.2 million increase in the trading revenue generated by GFX, a $0.7 million increase in fees associated with managing our IEF program and a $1.3 million increase in revenue for certain communication services provided to OneChicago, the joint venture established for the trading of single stock futures and narrow-based stock indexes. Partially offsetting these increases was a $1.3 million increase in our share of the OneChicago net loss and $0.9 million of losses incurred on certain technology equipment that was traded-in during the first six months of 2003.

Expenses

Total operating expenses increased $22.3 million, or 15.6%, from $143.0 million for the six months ended June 30, 2002 to $165.3 million for the six months ended June 30, 2003. This increase was

primarily attributable to increases in compensation and benefits as well as the marketing expenses associated with our brand advertising campaign and depreciation and amortization expense.

Compensation and Benefits Expense. Compensation and benefits expense increased $11.1 million, or 18.5%, from $60.1 million for the six months ended June 30, 2002 to $71.2 million for the six months ended June 30, 2003. There were four significant components to this increase. The average number of employees increased approximately 8%, or by 89 employees, from the six months ended June 30, 2002 to the six months ended June 30, 2003. This increased headcount resulted in additional compensation and benefits, excluding bonuses, of approximately $4.4 million. We had 1,185 employees at June 30, 2003. Compensation and benefits increased approximately $3.9 million as a result of annual salary increases and related increases in employer taxes, pension and benefits. Additionally, bonus expense increased $4.1 million from the six months ended June 30, 2002 to the six months ended June 30, 2003. As a result of an annual incentive plan approved in 2003, bonus expense is now directly linked to cash earnings as defined in the plan. Finally, the $0.9 million increase in the earnings of the deferred compensation plan resulted in increased compensation and benefits expense. Partially offsetting these increases was a $1.1 million decrease in stock-based compensation. Although there were additional stock options granted in June 2003, the majority of outstanding stock options were issued in 2000 and 2001. We have elected an accelerated method for recognizing this expense and as a result, a greater percentage of the total expense for all stock awards is recognized in the first years of the vesting period. Therefore, the decline in expense from the first six months of 2002 to the same period in 2003 is a direct result of the time that has lapsed since options were granted and the expense previously recognized in the periods immediately following the date of grant.

Finally, there was a $0.7 million decrease in compensation and benefits expense for the six months ended June 30, 2003 as a result of the reimbursement provisions of the CME/Chicago Board of Trade (CBOT®) Common Clearing Link agreement. Under the terms of this agreement, that was finalized in April 2003, CME will begin to provide clearing services to CBOT in November 2003 and we will be reimbursed by CBOT to a maximum of $2.0 million for expenses to prepare for providing this service. There was no similar reimbursement arrangement during the six months ended June 30, 2002.

Occupancy Expense. Occupancy expense increased $1.5 million, or 13.4%, from $11.1 million for the six months ended June 30, 2002 to $12.6 million for the six months ended June 30, 2003. Increased operating expenses and insurance costs resulted in $1.0 million of this increase. Rent expense has also increased, as a result of additional space we now lease at our main location.

Professional Fees, Outside Services and Licenses Expense. Professional fees, outside services and licenses decreased $0.7 million, or 4.5%, from $15.6 million for the six months ended June 30, 2002 to $14.9 million for the six months ended June 30, 2003. The decrease resulted primarily from a $0.8 million decrease in legal fees, which included a $1.8 million decrease in fees incurred for the patent litigation that was settled in 2002. This decline in legal fees related to litigation was partially offset by additional legal fees as a result of our secondary offering of stock that was completed in June 2003. Additionally, under the terms of our CME/CBOT Common Clearing Link agreement that was signed in April 2003, our professional fees expense in the first six months of 2003 has been reduced by $0.4 million for amounts that will be reimbursed by CBOT. No similar reimbursement existed during 2002. Partially offsetting these decreases was a $0.9 million increase in license fees relating to increased trading volume in our equity products.

Communications and Computer and Software Maintenance Expense. Communications and computer and software maintenance expense increased $1.7 million, or 7.7%, from $21.6 million for the six months ended June 30, 2002 to $23.3 million for the six months ended June 30, 2003. Expenses of this nature are affected primarily by growth in electronic trading. Our computer and software maintenance costs are driven by the number of transactions processed, not the volume of contracts traded. We processed nearly 80% of total transactions electronically in the first half of 2003 compared

to approximately 70% in the first half of 2002, which represented approximately 40% and nearly 30%, respectively, of total contracts traded. As a result, our expenses for software and maintaining hardware increased $1.0 million during the first six months of 2003 when compared to the same period in 2002, primarily as a result of the need to expand our capacity for processing transactions. In addition, the communications expense associated with our remote data facility, that became operational in October 2002, increased $0.8 million from the first half of 2002 to the first half of 2003. Communications expense associated with our GLOBEX network was relatively constant from the six months ended June 30, 2002 to the six months ended June 30, 2003 primarily as a result of a $1.5 million refund from our telecommunications provider for billing errors that related to previous periods.

Depreciation and Amortization Expense. Depreciation and amortization expense increased $3.3 million, or 14.6%, from $23.2 million for the six months ended June 30, 2002 to $26.5 million for the six months ended June 30, 2003. Capital expenditures totaled $56.9 million in 2002 and $25.0 million in the first six months of 2003. Technology-related purchases represented approximately 90% of total purchases in 2002 and 85% in 2003. Equipment and software represent the greatest portion of these technology-related purchases and are depreciated over a three or four year period. Therefore, these recent purchases, which include the development of software for internal use, have resulted in the increased depreciation and amortization expense from the first half of 2002 to the first half of 2003.

Marketing, Advertising and Public Relations Expense. Marketing, advertising and public relations expense increased $4.2 million, from $2.9 million for the six months ended June 30, 2002 to $7.1 million for the six months ended June 30, 2003. In the first quarter of 2003 we incurred $5.1 million of expense associated with our brand advertising campaign. There was no similar expense in the first half of 2002. We anticipate that this initiative to increase our brand awareness will result in a total expense of approximately $6 million for the year 2003. Partially offsetting the increased brand advertising expense during the first quarter of 2003 was a reduction in product advertising when compared to the same period in 2002.

Other Expense. Other expense increased $1.2 million, or 13.7%, from $8.4 million for the six months ended June 30, 2002 to $9.6 million for the six months ended June 30, 2003. The primary factor in this increase was a $1.0 million increase in our insurance expense, which includes directors and officers and general liability coverage. In addition, fees to our Board of Directors increased in the first six months of 2003 as a result of changes in the fee structure that were effective in the fourth quarter of 2002. We also experienced increases in general administrative costs from the first half of 2002 to the first half of 2003.

Income Tax Provision

We recorded an income tax provision of $42.0 million for the six months ended June 30, 2003 compared to $26.0 million for the same period in 2002. The effective tax rate was 40.7% for the first six months of 2003, compared to 39.6% for the first six months of 2002. The increase in the effective rate resulted primarily from certain expenses related to our secondary offering, completed in June 2003, that are not deductible for purposes of determining taxable income.

Results of Operations for the Three Months Ended June 30, 2003 Compared to the Three Months Ended June 30, 2002

Overview

Our operations for the three months ended June 30, 2003 resulted in net income of $35.0 million compared to net income of $21.0 million for the three months ended June 30, 2002. The increase in

net income resulted primarily from a 32.4% increase in net revenues that was only partially offset by a 13.7% increase in operating expenses. The increase in net revenues was driven by a 21.6% increase in total trading volume during the second quarter of 2003 when compared to the second quarter of 2002. The percentage increase in net revenues exceeded the increase in trading volume primarily as a result of the increase in the percentage of trades executed through GLOBEX which consist primarily of equity products with a higher average rate per trade. In addition, revenue for the three months ended June 30, 2002 was reduced by the $5.0 million reserve established for payments to clearing firms for fee adjustments. There was no similar reserve in 2003. Increases in expenses resulted primarily from greater compensation and benefits expense.

Trading volume for the three months ended June 30, 2003 totaled 168.6 million contracts, representing an average daily trading volume of 2.7 million contracts. This was a 21.6% increase over the 138.7 million contracts traded during the same period in 2002, representing an average daily trading volume of

2.2 million contracts. The month of June 2003 represented the busiest month in our history, as 63.6 million contracts were traded. June 2003 was the second busiest month in our history for average daily volume in our E-mini equity futures and new volume records were established for interest rate and foreign exchange products.

Revenues

Total revenues increased $31.2 million, or 27.6%, from $113.1 million for the three months ended June 30, 2002 to $144.3 million for the three months ended June 30, 2003. Net revenues increased $34.9 million, or 32.4%, from the second quarter of 2002 to the same period in 2003. The increase in revenues was attributable primarily to a 23.5% increase in average daily trading volume for the three months ended June 30, 2003 when compared to the three months ended June 30, 2002. In the second quarter of 2003, volume increased in our four main product areas and in our three venues. Electronic trading volume represented 40.6% of total trading volume, or nearly 1.1 million contracts per day, a 63.0% increase over the same period in 2002. In addition to increased clearing and transaction fees resulting from the increase in trading volume, we also experienced increased revenue from quotation data fees, investment income and trading revenue from GFX, our wholly owned subsidiary that utilizes GLOBEX to trade in foreign exchange and Eurodollar futures contracts. These increases were partially offset by a reduction in interest income, net of the applicable interest expense, from our securities lending activity.

Clearing and Transaction Fees. Clearing and transaction fees, which include clearing fees, GLOBEX electronic trading fees and other volume-related charges increased $31.5 million, or 37.4%, from $84.3 million for the three months ended June 30, 2002 to $115.8 million for the three months ended June 30, 2003. A significant portion of the increase was attributable to the 23.5% increase in average daily trading volume. In addition to the increase in trading volume, there was a significant increase in the percentage of trading volume executed through GLOBEX, our electronic trading platform. In the second quarter of 2003, GLOBEX volume represented 40.6% of total trading volume compared to 30.8% during the same period in 2002. Also, the product mix shifted to more equity product volume and less interest rate volume. For the three months ended June 30, 2003, equity products represented 41.7% of trading volume, compared to 34.0% during the same period of 2002. By contrast, for the three months ended June 30, 2003, interest rates represented 51.9% of our volume, compared to 59.8% during the same period in 2002. Fees for interest rate products are lower than fees for equity products. In addition, clearing and transaction fees revenue for the second quarter of 2003 includes revenue for clearing firm assessments resulting from audits of clearing and transaction fees that are conducted in the normal course of business to assure compliance with our fee policies. Any correction to prior billings is assessed based on the audit and the second quarter of 2003 included an assessment of $2.5 million. Finally, in the second quarter of 2002, we established a one-time reserve of $5.0 million for payments to clearing firms for their account management errors that were not adjusted

within our established three-month timeframe for correcting these errors. There was no similar reserve in the second quarter of 2003.

Primarily as a result of the increase in percentage of trades executed through GLOBEX and the product mix shift, the average rate, or revenue, per contract increased from $0.608 for the three months ended June 30, 2002 to $0.687 for the same period in 2003. In addition, the $5.0 million reserve established in the second quarter of 2002 resulted in a $0.036 reduction in the rate per trade for the three months ended June 30, 2002. Without the reserve, the average rate per trade would have been $0.644 for the second quarter of 2002. In the second quarter of 2003, the change to our tiered pricing discounts for Eurodollar products that became effective March 1, 2003 had a favorable impact on the average rate per contract. The thresholds for obtaining the tiered pricing discounts were increased and the amount of the discount was decreased. As a result, the tiered pricing discount reduced our rate per trade by only $0.015 in the second quarter of 2003 compared to a reduction of $0.038 in the second quarter of 2002. The previously mentioned clearing firm assessment for clearing and transaction fees also increased our average rate per contract in the second quarter of 2003 by $0.015. To stimulate volume in the back months of the Eurodollar futures contract, an incentive program was implemented effective March 1, 2003. This program reduced our average rate per contract approximately $0.006 for the three months ended June 30, 2003. Our average rate per contract for the three months ended June 30, 2003 was also affected by the introduction of TRAKRS contracts in July 2002. Similar to limits on certain GLOBEX fees, transaction fees for this contract are limited based on the size of the order. The average rate per contract for these trades in the second quarter of 2003 was $0.011. As a result, TRAKRS volume had an adverse impact on our overall rate per contract. If volume and fees for TRAKRS were excluded from the second quarter 2003, our average rate per contract would have increased by approximately $0.012 to $0.699. In the second quarter of 2002 and 2003, the percentage of trades executed by non-member customers was constant at 22%, reversing a recent trend over the past two years when the percentage of non-member customer trades had been declining.

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 fee revenues expressed in total dollars and as an average rate per contract:

	Three Months Ended June 30		
Product Area	**2003**	**2002**	**Percentage Increase/ (Decrease)**
Interest Rate	1,389,457	1,295,024	7.3%
Equity	1,115,884	737,611	51.3
Foreign Exchange	136,722	102,647	33.2
Commodity	33,970	31,811	6.8
Total Volume	2,676,033	2,167,093	23.5
GLOBEX Volume	1,086,868	666,640	63.0
GLOBEX Volume as a Percent of Total Volume	40.6%	30.8%	
Clearing and Transaction Fee Revenues (in thousands)	$ 115,808	$ 84,274	
Average Rate per Contract	$ 0.687	$ 0.608	

Volume in our interest rate products grew each month in the second quarter of 2003, culminating in a new record in June. Interest rate volume has increased as derivatives users focus on credit quality. Additionally, mortgage refinancing activity has continued and the U.S. Federal Reserve Board reduced the Fed funds rate in June 2003. Our equity product volume experienced significant growth from the second quarter of 2002 to the second quarter of 2003. Approximately 88% of our stock index product

volume is traded through the GLOBEX platform. Greater access to GLOBEX combined with an increase in the number of software vendors that offer GLOBEX and increased speed of trading have all contributed to the growth in our equity products. Our foreign exchange volume has also benefited from improvements in our GLOBEX trading platform. In the second quarter of 2003, approximately 41% of our foreign exchange volume was conducted through GLOBEX compared to approximately 29% during the same period in 2002. In addition, our central counterparty clearing makes our foreign exchange products increasingly important to large banks and investment banks. Price levels, specifically for cattle, and concerns regarding volatility patterns of commodity prices contributed to the increase in volume in our commodity products during the second quarter of 2003 when compared to the same period in 2002.

Quotation Data Fees. Quotation data fees increased $1.7 million, or 13.8%, from $11.9 million for the three months ended June 30, 2002 to $13.6 million for the three months ended June 30, 2003. The increased revenue in the second quarter of 2003 resulted primarily from the price change that was effective April 1, 2003.

GLOBEX Access Fees. GLOBEX access fees increased $0.6 million, or 18.5%, from $3.3 million for the three months ended June 30, 2002 to $3.9 million for the three months ended June 30, 2003. This increase resulted primarily from the additional monthly access fees generated by an increased number of GLOBEX users during the second quarter of 2003, particularly those accessing GLOBEX through our T1 connection, that was only partially offset by a decrease in individuals utilizing a dedicated workstation to access GLOBEX.

Communication Fees. Communication fees were relatively unchanged, reflecting a decrease of $0.1 million, or 3.8%, from $2.5 million for the three months ended June 30, 2002 to $2.4 million for the three months ended June 30, 2003.

Investment Income. Investment income increased $0.9 million, or 66.0%, from $1.3 million for the three months ended June 30, 2002 to $2.2 million for the three months ended June 30, 2003. The primary component was an increase of approximately $1.6 million in interest income as a result of increased balances in 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, there was a $1.2 million increase in investment income related to the improved 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 increase in our compensation and benefits expense. Partially offsetting these increases was 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. In the third quarter of 2002, we changed our investment policy and converted our marketable securities to short-term investments. Therefore, all investments were short-term in nature during the second quarter of 2003 and consist of money market mutual funds. The average rate earned on all investments declined from approximately 2.5% in the second quarter of 2002 to approximately 1.1% during the same period in 2003, representing a decrease in investment income of approximately $1.9 million. In addition, there were gains from sales of some of our marketable securities in the second quarter of 2002. There were no similar sales or related gains in the second quarter of 2003.

Securities Lending Interest Income and Expense. Securities lending interest income decreased $4.3 million, or 67.7%, from $6.3 million for the three months ended June 30, 2002 to $2.0 million for the three months ended June 30, 2003. The average balance of proceeds from securities lending activity was $1.2 billion for the three months ended June 30, 2002 and $633.9 million for the three months ended June 30, 2003. Securities lending interest expense decreased $3.6 million, or 65.7%, from $5.5 million for the three months ended June 30, 2002 to $1.9 million for the three months ended June 30, 2003. 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 0.24% on the average daily balance in the second quarter of 2002 compared to 0.08% in the second quarter of 2003. Interest rates earned have declined more from the second quarter of 2002 to the second quarter of 2003 than the associated rate for interest expense. Beginning in 2003, we elected to make our daily offering of securities available for lending later in the business day. As a result, the number of investment choices and the related returns has decreased from 2002 to 2003.

Other Revenue. Other revenue increased $0.9 million, or 25.9%, from $3.5 million for the three months ended June 30, 2002 to $4.4 million for the three months ended June 30, 2003. This increase is attributed primarily to a $1.3 million increase in the trading revenue generated by GFX and a $0.2 million increase in fees associated with managing our IEF program. In addition, in the second quarter of 2003, we generated $0.7 million of revenue for providing certain communication and regulatory services to OneChicago. This represented a $0.6 million increase from the second quarter of 2002 when we only provided regulatory services. Partially offsetting these increases was a $0.5 million

increase in our share of the OneChicago net loss and $0.9 million of losses incurred as a result of trade-in activity for certain technology-related capital equipment purchases.

Expenses

Total operating expenses increased $10.0 million, or 13.7%, from $73.0 million for the three months ended June 30, 2002 to $83.0 million for the three months ended June 30, 2003. This increase was attributable primarily to increases in compensation and benefits.

Compensation and Benefits Expense. Compensation and benefits expense increased $8.7 million, or 29.4%, from $29.3 million for the three months ended June 30, 2002 to $38.0 million for the three months ended June 30, 2003. There were four significant components to this increase. Bonus expense for the second quarter of 2003, as calculated under the recently approved annual incentive plan, increased $4.1 million when compared to the same period in 2002. The average number of employees increased approximately 8%, or by 86 employees, from the second quarter of 2002 to the second quarter of 2003. This increased headcount resulted in additional compensation and benefits, excluding bonuses, of approximately $2.1 million. In addition, compensation and benefits increased approximately $2.2 million as a result of annual salary increases and related increases in employer taxes, pension and benefits. Our stock-based compensation expense decreased $0.2 million. In June 2003, we granted additional employee stock options. The total expense related to this option grant of 465,900 shares is $8.3 million and will be recognized over the five-year vesting period. We have elected an accelerated method for recognizing the expense associated with our stock awards. Therefore, a greater percentage of the total expense for all stock awards is recognized in the first years of the vesting period. Overall, stock-based compensation decreased due to this accelerated vesting and the time that has lapsed since our original stock options that were granted in 2000 and 2001. Partially

offsetting these increases was the impact of our CME/CBOT Common Clearing Link agreement, whereby $0.7 million of compensation and benefits expense will be reimbursed by CBOT for the second quarter of 2003. There was no similar reimbursement arrangement in the second quarter of 2002.

Occupancy Expense. Occupancy expense increased $1.0 million, or 18.6%, from $5.3 million for the three months ended June 30, 2002 to $6.3 million for the three months ended June 30, 2003. Increased operating expenses for our premises as well as increased insurance costs resulted in $0.8 million of this increase. In addition, the impact of additional space we now lease at our main location resulted in greater rent expense in the second quarter of 2003.

Professional Fees, Outside Services and Licenses Expense. Professional fees, outside services and licenses decreased $0.8 million, or 9.7%, from $8.4 million for the three months ended June 30, 2002 to $7.6 million for the three months ended June 30, 2003. The decrease resulted primarily from a $1.0 million decrease in legal fees incurred in the second quarter of 2002 for the Wagner patent litigation that was resolved later in 2002. There were no similar expenses in the second quarter of 2003. Partially offsetting this reduction was a $0.3 million increase in license fees relating to increased trading volume for our equity products from the second quarter of 2002 to the second quarter of 2003. In addition, we experienced an increase in professional fees and services incurred as part of the secondary offering of our stock that was completed in June 2003.

Communications and Computer and Software Maintenance Expense. Communications and computer and software maintenance expense decreased $0.1 million, or 1.3%, from $11.3 million for the three months ended June 30, 2002 to $11.2 million for the three months ended June 30, 2003. This expense is affected primarily by growth in electronic trading. In the second quarter of 2003, we experienced greater communications expense that included a $0.7 million increase for connections to our GLOBEX platform that was offset by a $1.0 million refund from our telecommunications provider as a result of billing errors. We received a similar refund of $0.5 million in the first quarter of 2003 and our review of past billings from this vendor is complete. In addition, we experienced lower equipment

rental costs in the second quarter of 2003 as a result of recent decisions to purchase, rather than lease, certain equipment. Our computer and software maintenance costs are driven by the number of transactions processed, not the volume of contracts traded. We processed nearly 80% of total transactions electronically in the second quarter of 2003 compared to nearly 75% in the second quarter of 2002, which represented approximately 40% and 30%, respectively, of total contracts traded. As a result, the reductions in communications and leasing expenses were partially offset by a $0.3 million increase in our hardware and software maintenance expenses from the second quarter of 2002 to the second quarter of 2003 primarily as a result of recent purchases of hardware and software.

Depreciation and Amortization Expense. Depreciation and amortization expense increased $1.0 million, or 8.0%, from $12.3 million for the three months ended June 30, 2002 to $13.3 million for the three months ended June 30, 2003. Capital expenditures totaled $56.9 million in 2002, with technology-related purchases representing approximately 90% of total purchases. Additional purchases have also occurred in the first six months of 2003. Equipment and software represent the greatest portion of these technology-related purchases and are depreciated over a three or four year period. These recent purchases, which include the development of software for internal use, have resulted in increased depreciation and amortization expense from the second quarter of 2002 to the second quarter of 2003.

Marketing, Advertising and Public Relations Expense. Marketing, advertising and public relations expense increased $0.1 million, or 13.3%, from $1.4 million for the three months ended June 30, 2002 to $1.5 million for the three months ended June 30, 2003. In the second quarter of 2003, additional expenses were incurred for marketing materials and promotional events.

Other Expense. Other expense increased $0.2 million, or 3.0%, from $5.0 million for the three months ended June 30, 2002 to $5.2 million for the three months ended June 30, 2003. The primary factor in this increase was a $0.5 million increase in our insurance expense, as well as additional expense for annual listing fees and franchise taxes as a result of our recent initial public offering and increased currency delivery fees. These increases were partially offset by reductions in bank fees, travel and other general administrative expenses.

Income Tax Provision

We recorded an income tax provision of $24.4 million for the three months ended June 30, 2003 compared to $13.5 million for the same period in 2002. The effective tax rate was 41.0% for the second quarter of 2003, compared to 39.1% for the second quarter of 2002. The increase in the effective tax rate for 2003 resulted primarily from expenses incurred in connection with the June 2003 secondary offering that are not deductible for tax purposes.

Liquidity and Capital Resources

Cash and cash equivalents totaled $392.8 million at June 30, 2003, compared to $339.3 million at December 31, 2002. The $53.5 million increase resulted primarily from our operations for the first six months of 2003. Cash generated by operations was partially offset by $25.0 million for purchases of property, net of trade-in allowances. The balance retained in cash and cash equivalents is 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 75.3% of our total assets, excluding cash performance bonds and security deposits and investment of securities lending proceeds, at June 30, 2003, compared to 72.0% at December 31, 2002. Cash performance bonds and security deposits, as well as any investment of securities lending proceeds, are excluded from total assets and total liabilities for

purposes of this comparison as these balances may vary significantly over time and there are equal and offsetting current liabilities that relate to these current assets.

Included in other assets is $22.1 million and $17.3 million of deferred tax assets at June 30, 2003 and December 31, 2002, respectively. These deferred tax assets result 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 $90.5 million for the six months ended June 30, 2003 compared to $46.9 million for the six months ended June 30, 2002, an increase of $43.6 million. The cash provided by operations increased in 2003 as a result of our improved operating results as well as an increase in current liabilities that was partially offset by an increase in accounts receivable. The increase in accounts receivable resulted primarily from the increase in trading volume in June 2003 that generated additional clearing and transaction fees. The increase in current liabilities resulted primarily from increased bonus and tax liabilities. The net cash provided by operating activities exceeded our net income in 2002 and 2003 primarily as a result of non-cash expenses, such as depreciation, which do not adversely impact our cash flow.

Cash used in investing activities was $28.4 million for the six months ended June 30, 2003 compared to $47.6 million for the six months ended June 30, 2002. The decrease resulted primarily from the change in our investment policy that was effective in the third quarter of 2002. Net purchases of investments totaled $11.9 million for the six months ended June 30, 2002. There were no similar purchases in the first six months of 2003. In addition, net purchases of property decreased $7.7 million, from $32.7 million for the first six months of 2002 to $25.0 million for the same period in 2003. During the second half of 2003, we anticipate capital expenditures of approximately $9 million for leasehold improvements related to the expansion of our lobby and certain office improvements at our main location in addition to other anticipated capital expenditures.

Cash used in financing activities was $8.5 million for the six months ended June 30, 2003 compared to $20.3 million for the same period in 2002. Cash dividends totaled $9.1 million for the six months ended June 30, 2003 as a result of our regular quarterly dividend. This is a decrease of $8.2 million from the $17.3 million one-time cash dividend paid in the first six months of 2002 prior to our initial public offering. Also, in the first six months of 2003 we received $3.2 million of proceeds from the exercise of stock options. Cash used in financing activities for both periods includes regularly scheduled payments on long-term debt.

As of June 30, 2003, we were contingently liable on irrevocable letters of credit totaling $83.0 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 $231.9 million as of June 30, 2003.

Item 3. 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 short-term cash investments and cash performance bonds and security deposits. 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 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. Under our prior 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.

Interest Rate Risk

Interest income from marketable securities, short-term cash investments and cash performance bonds and security deposits was $2.7 million in the six months ended June 30, 2003 compared to $3.0 million in the six months ended June 30, 2002. At June 30, 2003, we owned no marketable securities as a result of our investment policy that became effective in the third quarter of 2002.

GFX Trading 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, spot foreign exchange transactions with approved counterparties in the interbank market or forward contracts 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.

At June 30, 2003, GFX held futures positions with a notional value of $206.2 million, offset by a similar amount of spot and forward foreign exchange positions. The notional value of futures positions at June 30, 2002 was $47.5 million. All positions are marked to market through a charge or credit to other revenue on a daily basis. Net trading gains were $3.4 million for the six months ended June 30, 2003 and $1.2 million for the six months ended June 30, 2002.

Item 4. Controls and Procedures

(a) *Controls and Procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

(b) *Internal Control Over Financial Reporting.* There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(c) The annual meeting of shareholders of Chicago Mercantile Exchange Holdings Inc. was held on April 22, 2003. The matters voted on at the meeting, and the results of the voting, were as follows:

1. Election of Directors

a. The election of seven Equity Directors (elected by Class A and Class B shareholders voting together as a single class). The results were as follows:

Equity Director Nominee	Votes For	Votes Withheld
Terrence A. Duffy	19,140,729	2,166,653
James J. McNulty	20,175,210	1,132,172
Daniel R. Glickman	19,927,551	1,379,831
William P. Miller II	20,178,659	1,128,723
James E. Oliff	19,837,147	1,470,235
John F. Sandner	17,893,571	3,413,811
Terry L. Savage	19,101,318	2,206,063

b. The election of one Class B-1 director from a slate of two candidates (elected by Class B-1 shareholders only). The results were as follows:

Class B-1 Director Nominee	Votes For	Abstentions
William G. Salatich, Jr. (elected)	278	103
Thomas A. Bentley	86	295

c. The election of one Class B-2 director from a slate of two candidates (elected by Class B-2 shareholders only). The results were as follows:

Class B-2 Director Nominee	Votes For	Abstentions
David J. Wescott (elected)	349	115
Richard J. Appel	86	378

d. The election of one Class B-3 director from a slate of three candidates (elected by Class B-3 shareholders only). The results were as follows:

Class B-3 Director Nominee	Votes For	Abstentions
Gary M. Katler (elected)	342	328
Leon C. Shender	170	501
Thomas J. Esposito	152	518

2. Election of Class B Nominating Committees

a. The election of five members of the Class B-1 Nominating Committee (elected by Class B-1 shareholders only). The results were as follows:

Nominee	Votes For	Abstentions
William F. Kulp (elected)	230	161
Lonnie Klein (elected)	216	175
Jeffrey R. Carter (elected)	208	183
John C. Garrity (elected)	206	185
Larry S. Fields (elected)	197	194
Michael J. Downs	197	194
Donald A. Huizinga	191	200
Kevin P. Tunney	148	243
Larry Katz	106	285
David J. Klusendorf	69	322

b. The election of five members of the Class B-2 Nominating Committee (elected by Class B-2 shareholders only). The results were as follows:

Nominee	Votes For	Abstentions
Denis P. Duffey (elected)	304	161
Donald J. Lanphere, Jr. (elected)	285	180
Michael P. Mullins (elected)	262	204
Richard J. Duran (elected)	237	228
James P. Shannon (elected)	185	281
Samuel T. Bailey	174	291
William J. Higgins	170	295
Michael T. Klemke	133	332
Steven D. Peake	121	345
Frank N. Morgan	94	372

3. Amendment to the Chicago Mercantile Exchange Holdings Inc. Amended and Restated Omnibus Stock Plan

A proposal to amend the Chicago Mercantile Exchange Holdings Inc.'s Amended and Restated Omnibus Stock Plan was approved by the Class A and Class B shareholders voting together as a single class. The results were as follows:

Votes For	Votes Against	Abstentions
15,317,339	3,678,588	1,123,334

4. A proposal to approve the Chicago Mercantile Exchange Holdings Inc. Annual Incentive Plan was approved by Class A and Class B shareholders voting together as a single class. The results were as follows:

Votes For	Votes Against	Abstentions
15,122,528	3,691,823	1,304,910

5. A proposal to ratify the appointment of Ernst & Young LLP to serve as the Chicago Mercantile Exchange Holdings Inc.'s independent auditors for the fiscal year ending December 31, 2003

was approved by Class A and Class B shareholders voting together as a single class. The results were as follows:

Votes For	Votes Against	Abstentions
20,046,678	910,346	350,356

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

10.1	Chicago Mercantile Exchange Holdings Inc. Annual Incentive Plan
10.2	Chicago Mercantile Exchange Holdings Inc. Amended and Restated Omnibus Stock Plan (incorporated by reference to Exhibit 10.1 to Chicago Mercantile Exchange Holdings Inc.'s Registration Statement on Form S-8, filed with the SEC on May 14, 2003, File No. 333-105236)
10.3	Clearing Services Agreement, dated April 16, 2003, between Chicago Mercantile Exchange Inc. and The Board of Trade of the City of Chicago, Inc.*
10.4	Agreement, dated as of July 10, 2003, between Chicago Mercantile Exchange Inc. and David G. Gomach.
31.1	Section 302 Certification—James J. McNulty, President and Chief Executive Officer
31.2	Section 302 Certification—David G. Gomach—Managing Director and Chief Financial Officer
32	Section 906 Certification

* 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.

(b) Reports on Form 8-K:

On April 17, 2003, Chicago Mercantile Exchange Holdings Inc. furnished a Current Report on Form 8-K reporting under Item 9 that it had issued a joint press release with the Chicago Board of Trade ("CBOT") announcing that they have reached an agreement for Chicago Mercantile Exchange Inc., a wholly owned subsidiary of Chicago Mercantile Exchange Holdings Inc., to provide clearing, settlement and related services for all CBOT products.

On April 22, 2003, Chicago Mercantile Exchange Holdings Inc. furnished a Current Report on Form 8-K reporting under Items 9 and 12 that it had issued a press release reporting its financial results for the first quarter of 2003.

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 thereunto duly authorized.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.
(Registrant)

August 11, 2003

By /s/ DAVID G. GOMACH

David G. Gomach
Chief Financial Officer

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Exhibit 10.1

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.
ANNUAL INCENTIVE PLAN

1. *Purpose.* The purpose of the Chicago Mercantile Exchange Holdings Inc. Annual Incentive Plan is to align the interests of Company management with those of the shareholders of the Company by encouraging management to achieve goals intended to increase shareholder value.

2. *Definitions.* The following terms, as used herein, shall have the following meanings:

(a) "Award" shall mean an incentive compensation award, granted pursuant to the Plan, which is contingent upon the attainment of Performance Factors with respect to a Performance Period.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Committee" shall mean the Compensation Committee of the Board or such other committee as may be appointed by the Board to administer the Plan in accordance with Section 3 of the Plan.

(e) "Common Stock" shall mean the common stock of the Company, par value $0.01 per share.

(f) "Company" shall mean Chicago Mercantile Exchange Holdings Inc., a Delaware corporation, or any successor corporation.

(g) "Disability" shall mean permanent disability as determined pursuant to the long-term disability plan or policy of the Company or its Subsidiaries in effect at the time of such disability and applicable to a Participant.

(h) "Effective Date" shall mean January 1, 2003.

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(j) "Participant" shall mean an employee of the Company or any Subsidiary of the Company who is, pursuant to Section 4 of the Plan, selected to participate herein.

(k) "Performance Factors" shall mean the criteria and objectives, determined by the Committee, which must be met during the applicable Performance Period as a condition of the Participant's receipt of payment with respect to an Award. Performance Factors may include any or all of the following or any combination thereof: gross margin, operating margin, revenue growth, free cash flow, operating cash flow, earnings per share, economic value added, cash-flow return on investment, net income, total shareholder return, return on investment, return on equity, return on assets or any increase or decrease of one or more of the foregoing over a specified period. Such Performance Factors may relate to the performance of the Company, a Subsidiary, any portion of the business, product line, or any combination thereof and may be expressed on an aggregate, per share (outstanding or fully diluted) or per unit basis. Where applicable, the Performance Factors may be expressed in terms of attaining a specified level of the particular criteria, the attainment of a percentage increase or decrease in the particular criteria, or may be applied to the performance of the Company, a Subsidiary, a business unit, a product line, or any combination thereof, relative to a market index, a group of other companies (or their subsidiaries, business units or product lines), or a combination thereof, all as determined by the Committee. Performance Factors may include a threshold level of performance below which no payment shall be made, levels of performance below the target level but above the threshold level at which specified percentages of the Award shall be paid, a target level of performance at which the full Award shall be paid, levels of performance above the target level but below the maximum level at which specified multiples of the Award shall be paid, and a maximum level of performance above which no additional payment

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shall be made. Performance Factors may also specify that payments for levels of performances between specified levels will be interpolated.

(l) "Performance Period" shall mean the twelve-month periods commencing on January 1, 2003 and each January 1 thereafter, or such other periods as the Committee shall determine; provided that a Performance Period for a Participant who becomes employed by the Company or its Subsidiaries following the commencement of a Performance Period may be a shorter period that commences with the date of the commencement of such employment.

(m) "Plan" shall mean this Chicago Mercantile Exchange Holdings Inc. Annual Incentive Plan.

(n) "Subsidiary" shall mean any company, partnership, limited liability company, business or entity (other than the Company) of which at least 50% of the combined voting power of its voting securities is, or the operations and management are, directly or indirectly controlled by the Company.

3. *Administration.* The Plan shall be administered by a Committee of the Board. The Committee shall have the authority in its sole discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Awards; to determine the persons to whom and the time or times at which Awards shall be granted; to determine the terms, conditions, restrictions and Performance Factors relating to any Award; to determine whether, to what extent, and under what circumstances an Award may be settled, cancelled, forfeited, or surrendered; to make adjustments in the Performance Factors in recognition of unusual or non-recurring events affecting the Company or its Subsidiaries or the financial statements of the Company or its Subsidiaries, or in response to changes in applicable laws, regulations or accounting principles; to construe and interpret the Plan and any Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Awards (including provisions relating to a change in control of the Company); and to make all other determinations deemed necessary or advisable for the administration of the Plan. Without limiting the generality of the foregoing, the Committee shall have the sole discretion to determine whether, or to what extent, Performance Factors are achieved; provided, however, that the

Committee shall have the authority to make appropriate adjustments in Performance Factors under an Award to reflect the impact of extraordinary items not reflected in such goals. For purposes of the Plan, extraordinary items shall be defined as (1) any profit or loss attributable to acquisitions or dispositions of stock or assets, (2) any changes in accounting standards or treatments that may be required or permitted by the Financial Accounting Standards Board or adopted by the Company or its Subsidiaries after the goal is established, (3) all items of gain, loss or expense for the year related to restructuring charges for the Company or its Subsidiaries, (4) all items of gain, loss or expense for the year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business, (5) all items of gain, loss or expense for the year related to discontinued operations that do not qualify as a segment of a business as defined in APB Opinion No. 30 (or successor literature), (6) the impact of capital expenditures, (7) the impact of share repurchases and other changes in the number of outstanding shares, and (8) such other items as may be prescribed by Section 162(m) of the Code and the Treasury Regulations thereunder as may be in effect from time to time, and any amendments, revisions or successor provisions and any changes thereto.

The Committee shall consist of two or more persons each of whom shall be an "outside director" within the meaning of Section 162(m) of the Code. All decisions, determinations and interpretations of the Committee shall be final and binding on all persons, including the Company and the Participant (or any person claiming any rights under the Plan from or through any Participant).

Subject to Section 162(m) of the Code or as otherwise required for compliance with other applicable law, the Committee may delegate all or any part of its authority under the Plan.

4. *Eligibility.* Awards may be granted to Participants in the sole discretion of the Committee. In determining the persons to whom Awards shall be granted and the Performance Factors relating to each Award, the Committee shall take into account such factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan.

5. *Terms of Awards.* Awards granted pursuant to the Plan shall be communicated to Participants in such form as the Committee shall from time to time approve and the terms and conditions of such Awards shall be set forth therein.

(a) *In General.* On or prior to the date on which 25% of a Performance Period has elapsed, the Committee shall specify in writing, by resolution of the Committee or other appropriate action, the Participants for such Performance Period and the Performance Factors applicable to each Award for each Participant with respect to such Performance Period. Unless otherwise provided by the Committee in connection with specified terminations of employment, payment in respect of Awards shall be made only if and to the extent the minimum Performance Factors with respect to such Performance Period are attained.

(b) *Special Provisions Regarding Awards.* Notwithstanding anything to the contrary contained herein, in no event shall payment in respect of Awards granted hereunder exceed $2,500,000 to any one Participant in any one year. The Committee may at its discretion decrease the amount of an Award payable upon attainment of the specified Performance Factors, but in no event may the Committee increase at its discretion the amount of an Award payable upon attainment of the specified Performance Factors.

(c) *Time and Form of Payment.* Unless otherwise determined by the Committee, all payments in respect of Awards granted under this Plan shall be made in cash within one hundred and twenty (120) days after the end of the Performance Period.

6. *Term.* Subject to the approval of the Plan by the holders of a majority of the Common Stock represented and voting on the proposal at the annual meeting of Company stockholders to be held in 2003 (or any adjournment thereof), the Plan shall be effective as of January 1, 2003 and shall continue in effect until the fifth anniversary of the date of such stockholder approval, unless earlier terminated as provided below.

7. *General Provisions.*

(a) *Compliance with Legal Requirements.* The Plan and the granting and payment of Awards, and the other obligations of the Company under the Plan shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required.

(b) *Nontransferability.* Awards shall not be transferable by a Participant except upon the Participant's death following the end of the Performance Period but prior to the date payment is made, in which case the Award shall be transferable in accordance with any beneficiary designation made by the Participant in accordance with Section 7(k) below or, in the absence thereof, by will or the laws of descent and distribution.

(c) *No Right To Continued Employment.* Nothing in the Plan or in any Award granted pursuant hereto shall confer upon any Participant the right to continue in the employ of the Company or any of its Subsidiaries or to be entitled to any remuneration or benefits not set forth in the Plan or to interfere with or limit in any way whatever rights otherwise exist of the Company or its Subsidiaries to terminate such Participant's employment or change such Participant's remuneration.

(d) *Withholding Taxes.* Where a Participant or other person is entitled to receive a payment pursuant to an Award hereunder, the Company shall have the right either to deduct from the payment, or to require the Participant or such other person to pay to the Company prior to delivery of such payment, an amount sufficient to satisfy any federal, state, local or other withholding tax requirements related thereto.

(e) *Amendment, Termination and Duration of the Plan.* The Board or the Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; *provided that*, no amendment that requires stockholder approval in order for the Plan to continue to comply with Code Section 162(m) shall be effective unless the same shall be approved by the requisite vote of the stockholders of the Company. Notwithstanding the foregoing (but subject to Section (j)), no amendment shall affect adversely any of the rights of any Participant under any Award

following the grant of such Award, provided that neither an adjustment of an Award (as contemplated by Section 3) nor the exercise of the Committee's discretion pursuant to Section 5(b) to reduce the amount of an Award shall not be deemed an impermissible amendment of the Plan or an Award.

(f) *Participant Rights.* No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment for Participants.

(g) *Termination of Employment.*

(i) Unless otherwise provided by the Committee, and except as set forth in subparagraph (ii) of this Section 7(g), a Participant must be actively employed by the Company or its Subsidiaries at the time Awards are generally paid with respect to a Performance Period in order to be eligible to receive payment in respect of such Award.

(ii) Unless otherwise provided by the Committee, if a Participant's employment is terminated as result of death, Disability or voluntary retirement with the consent of the Company prior to the end of the Performance Period, such Participant shall receive a pro rata portion of the Award that he or she would have received with respect to the applicable Performance Period, which shall be payable at the time payment is made to other Participants in respect of such Performance Period.

(h) *Unfunded Status of Awards.* The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company.

(i) *Governing Law.* The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware without giving effect to the conflict of laws principles thereof.

(j) *Effective Date.* The Plan shall take effect upon its adoption by the Board; *provided*, *however*, that the Plan shall be subject to the requisite approval of the stockholders of the Company in order to comply with Section 162(m) of the Code. In the absence of such approval, the Plan (and any Awards made pursuant to the Plan prior to the date of such approval) shall be null and void.

(k) *Beneficiary.* A Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant and an Award is payable to the Participant's beneficiary pursuant to Section 7(b), the executor or administrator of the Participant's estate shall be deemed to be the grantee's beneficiary.

(l) *Interpretation.* The Plan is designed and intended to comply, to the extent applicable, with Section 162(m) of the Code, and all provisions hereof shall be construed in a manner to so comply.

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Exhibit 10.3

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.

CLEARING SERVICES AGREEMENT

EFFECTIVE THE 16th DAY OF APRIL 2003

BETWEEN

CHICAGO MERCANTILE EXCHANGE INC., a business corporation organized under the laws of the State of Delaware and having its principal office situated at 30 South Wacker Drive, Chicago, Illinois 60606 U.S.A., duly represented by its Chairman of the Board, Terrence Duffy, and by its President and Chief Executive Officer, James J. McNulty, (hereinafter referred to at times as "CME"),

AND

THE BOARD OF TRADE OF THE CITY OF CHICAGO, INC., a non share corporation organized under the laws of the State of Delaware and having its principal office situated at 141 W. Jackson Blvd., Chicago, Illinois 60604 U.S.A., duly represented by its Chairman, Charles P. Carey, and by its President and Chief Executive Officer, Bernard W. Dan, (hereinafter referred to at times as "CBOT").

Each of CBOT and CME is referred to herein as a "Party", and collectively they are referred to as the "Parties."

RECITALS:

WHEREAS, CME is registered with the Commodity Futures Trading Commission (the "CFTC") as a designated contract market ("DCM") and a "derivative clearing organization" ("DCO") within the meaning of the Commodity Exchange Act, as amended (the "CEA"), and seeks to provide clearing services, as defined herein, for CBOT futures and options contracts;

WHEREAS, CBOT is registered with the CFTC as a DCM and intends to register as a DCO within the meaning of the CEA, as amended, and seeks to have CME provide clearing services, as defined herein, for CBOT futures and options contracts;

WHEREAS, the Parties intend to provide substantial benefits to their customers by clearing their listed contracts through the same clearing house;

WHEREAS, the Parties intend to enhance the efficient use of capital by their members by employing CME's system of financial guarantees and providing for more efficient portfolio risk margining of certain positions held at CME's clearing house; and

WHEREAS, the Parties intend to cooperatively promote the advantages of clearing certain CBOT products by means of CME systems, all on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and with the intent to be legally bound, the Parties hereby agree as follows:

1. INTERPRETATION

1.1. Definitions.

In this Agreement, unless the context otherwise requires:

1.1.1. **Agreement** means the Clearing Services Agreement, effective as of April 16, 2003, by and between CME and CBOT.

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1.1.2. **BOTCC** shall have the meaning set forth in Section 7.3.

1.1.3. **CBOT Clearing Member** means an individual or firm that meets CBOT's requirements to clear CBOT Products on or after the Effective Date.

1.1.4. **CBOT Core Products** means CBOT's U.S. Treasury, agricultural and federal funds based products as of the Effective Date.

1.1.5. **CBOT Data** shall have the meaning set forth in Section 5.1.

1.1.6. **CBOT Products** means all futures and futures options listed for trading on CBOT on the Launch Date or thereafter.

1.1.7. **CBOT Sole Proprietorship Clearing Member** shall have the meaning set forth in Section 7.4.

1.1.8.

CEA shall have the meaning set forth in the first Recital.

1.1.9. **CFTC** shall have the meaning set forth in the first Recital.

1.1.10. **Clearing Members** means CBOT Clearing Members and/or CME Clearing Members, as the context requires.

1.1.11. **Clearing Services** means the clearing, settlement and related services to be provided by CME under this Agreement, as further described in Schedule A.

1.1.12. **Clearing Systems** shall have the meaning set forth in Section 3.4.

1.1.13. **CME Clearing Member** means an individual or firm that meets CME's requirements for clearing membership.

1.1.14. **CME Rules** means CME's rules and clearing procedures, including interpretations and explanations.

1.1.15. **DCM** shall have the meaning set forth in the first Recital.

1.1.16. **DCO** shall have the meaning set forth in the first Recital.

1.1.17. **Dispute Notice** shall have the meaning set forth in Section 19.4.

1.1.18. **Effective Dat**e means April 16, 2003.

1.1.19. **EFS** shall have the meaning set forth in Section 3.1.

1.1.20. **FCM**s shall have the meaning set forth in Section 7.6.

1.1.21. **Indemnified Party** shall have the meaning set forth in Section 16.1.

1.1.22. **Indemnifying Party** shall have the meaning set forth in Section 16.1.

1.1.23. **Initial Term** shall have the meaning set forth in Section 2.

1.1.24. **Launch Date** means the first trading day for CBOT Products as to which transactions are required to be cleared through CME. The Launch Date is the trading date of January 2, 2004.

1.1.25. **Market Participant** means an individual or firm that engages in trading futures and options contracts.

1.1.26. **Material Breach** means a breach of a provision of this Agreement that is material to a Party's obligations under the Agreement.

1.1.27. **Operational Policies and Procedures** shall have the meaning set forth in Section 3.2.

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1.1.28. **Party** and **Parties** shall have the meaning set forth in the Preamble.

1.1.29. **Proprietary Business Information** shall have the meaning set forth in Section 13.1.

1.1.30. **Renewal Term** shall have the meaning set forth in Section 2.

1.1.31. **Replica CBOT Products** shall have the meaning set forth in Section 6.4.

1.1.32. **Special CME Clearing Member** means a CBOT Clearing Member that qualifies as a CME Clearing Member for purposes of clearing CBOT Products pursuant to this Agreement, as set forth more fully in Section 7.

1.1.33. **Transition Clearing Services** shall have the meaning set forth in Section 12.

1.1.34. **Transition Costs** shall have the meaning set forth in Section 12.4.

1.1.35. **Term** shall have the meaning set forth in Section 2.

1.1.36. **Unexcused Breach** shall have the meaning set forth in Section 10.1.

1.2. **References.** Unless something in the subject matter or context is inconsistent with the resulting interpretation, all references to Sections and Schedules are to Sections and Schedules of this Agreement. The words "hereto", "herein", "of this Agreement", "under this Agreement" and similar expressions mean and refer to this Agreement.

1.3. **Schedules.** The Schedules forming part of this Agreement are as follows:

Schedule A	Clearing Services
Schedule B	Fees
Schedule C	Project Development Plan

1.4. **Headings.** The inclusion of headings in this Agreement is for convenience of reference only and does not affect the construction or interpretation of this Agreement.

2. **Initial Term; Renewal Term**. This Agreement shall commence on the Effective Date and, unless terminated earlier in accordance with its terms, shall terminate on January 10, 2008 (the "Initial Term"). Upon expiration of the Initial Term, this Agreement shall automatically renew for successive three-year renewal terms (each a "Renewal Term") unless either Party notifies the other Party in writing at least six (6) months prior to the beginning of the applicable Renewal Term of its decision not to renew. The Initial Term and the Renewal Terms, if any, are collectively referred to in this Agreement as the "Term".

3. Clearing Services.

3.1. **Services Provided.** Commencing with the Launch Date until the termination of this Agreement, whether at the end of the Initial Term or any Renewal Term, each as specified in Section 2 above, and until expiration of any post-termination obligations, CME shall provide to CBOT the Clearing Services described in Schedule A hereto. The Clearing Services shall be provided by CME with proper and reasonable care in conformance with the standards and procedures by which CME performs such services for its listed contracts, except that trades matched by CBOT shall not be guaranteed until the matched trade record is received by CME. CBOT reserves the right to charge fees for post-trade transactions and related services for CBOT Products even if CME does not now charge a fee for such transactions. Subject to the provisions of Section 3.10 respecting change request procedures and payment of development cost, if applicable, CME agrees to facilitate the implementation of such charges, including providing CBOT access to CME's Exchange Fee System ("EFS"), and to provide CBOT with any necessary data related to such policies and fees. CBOT shall pay CME for

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any reasonable additional costs it may incur in providing data and other support to CBOT in response to a request authorized by this Section 3.1.

3.2. **Operational Policies and Procedures.** CME's operational practices, policies and procedures related to implementing and performing Clearing Services, including, without limitation, establishing marking prices that vary from settlement prices submitted by CBOT, where such settlement prices materially deviate from appropriate market prices; the timeline for CME's receipt of information and data necessary to perform the Clearing Services and CME's delivery of information and data to CBOT, Clearing Members and other third parties; data file formats; the manner in which CME makes information available to Clearing Members; and the mechanics of CME's automated delivery processes shall be the same as CME's existing practices, policies and procedures, including the automated delivery system to be developed by CME as provided by Schedule A (collectively, the "Operational Policies and Procedures"), provided that nothing in the Operational Policies and Procedures shall contravene any provision set forth in this Agreement.

3.3. **Fungibility and Cross-Margining of CBOT Products.** CBOT shall have sole authority to determine (i) whether CBOT Products shall be risk offset against other products pursuant to CME's portfolio margining policies or any cross-margining agreement and (ii) whether CBOT Products shall be made fungible, at the clearing level, against products that are cleared by CME and listed for trading by CME, by another contract market, or by any other entity. CME may accept or reject any risk offset or fungibility arrangement against products traded at CME that may be proposed by CBOT. CME shall support cross-margining of CBOT Products as set forth in Schedule A. CME support for cross-margining arrangements or fungibility of CBOT Products other than as set forth above or in Schedule A shall be subject to the change request procedures set forth in Section 3.10, below.

3.4. **Clearing Systems.** The systems owned by or licensed to CME that are utilized by CME in connection with providing Clearing Services are referred to herein as the "Clearing Systems." CME shall pay to the appropriate software manufacturers, suppliers and distributors all license fees, royalties, use charges, taxes or other payments associated with the Clearing Systems' intellectual property and technology utilized by CME in providing Clearing Services.

3.5. **CME Personnel.** CME shall make available, at all times, a sufficient number of individuals who are properly qualified to perform and who will perform the Clearing Services in accordance with this Agreement.

3.6. **Cooperation as to Development Work.** The Parties acknowledge and agree that, after the Effective Date, they will be engaged in development work as described in Schedule C hereto. The Parties agree to cooperate and use all reasonable efforts to perform the tasks necessary to complete such development work in accordance with the time table set forth in Schedule C. CME shall be primarily responsible for such development work.

3.7. **Technical Cooperation.** The Parties acknowledge that CME may have to incorporate new equipment into or modify its Clearing Systems in ways that will require testing from time to time. Each Party acknowledges that, in implementing and testing such new equipment or modifications, it may require the technical assistance and cooperation of the other, and both Parties agree to provide such assistance and cooperation. CBOT shall have the obligation of securing any necessary assistance of its third party providers.

3.8. **Backup and Disaster Recovery.** CME will provide, as a part of the Clearing Services, backup and disaster recovery services and procedures and functions for the Clearing Systems and

the Clearing Services using the backup and disaster recovery systems that CME employs for its own contracts.

3.9. **CME Modifications.** CME may make modifications to the Clearing Systems and Clearing Services on its own initiative and at its own expense as it may reasonably deem necessary or desirable, provided that any such modifications do not (i) materially increase CBOT's total costs of receiving the Clearing Services, (ii) require CBOT to make material changes to its systems, software, or equipment other than with respect to changes made in the ordinary course of business, or (iii) violate the CEA, applicable rules and regulations thereunder, or other applicable CFTC requirements. If any changes desired by CME would violate the conditions described in clauses (i) or (ii) above, CME will obtain CBOT's written consent, which shall not be unreasonably withheld, prior to making any such change.

3.10. **Change Requests.** CME will make modifications and enhancements to its Clearing Systems at the request and expense of CBOT, where such changes are necessary to provide Clearing Services for a CBOT Product with characteristics significantly different from futures and futures options products traded as of the Effective Date or additional cross margining arrangements, if in CME's sole judgment such changes will not impair functionality or materially increase operational costs. CBOT shall pay a commercially reasonable fee, to be agreed in advance, to cover the cost of all such changes. All such requests will be addressed to a designated representative of CME's clearing house.

3.10.1. *CME response to requests*. CME shall respond to requests from CBOT concerning modifications or enhancements to the Clearing Services by evaluating the request, including the cost of the requested change and the impact of the requested change upon clearing services provided by CME as to other products and upon CME's technical systems, and providing a response in accordance with this Section to CBOT concerning such request within thirty (30) days of CME's receipt of the request (unless the complexity of the request reasonably requires a longer period, in which case CME shall provide an initial response).

3.10.2. *No material concerns.* If CME reasonably determines in its sole judgment that the requested change will not materially impair clearing services or materially increase operational costs to CME or CME Clearing Members, CME shall submit to CBOT a reasonably detailed proposal for implementing the change, which need not be binding, and which shall include an estimate of the amount to be paid to CME for the requested change.

3.10.3. *Material concerns.* If CME reasonably determines in its sole judgment that the requested change will materially impair functionality or materially increase operational costs to CME or CME Clearing Members, CME may, but shall not be required to, submit to CBOT a reasonably detailed proposal for implementing the change, including cost estimates, which need not be binding.

3.10.4. *Negotiations in good faith.* In any case, the Parties shall negotiate in good faith as to any requested change and the terms of CME's proposal, if any. Any change implemented by CME pursuant to this Section shall be made at the sole expense of CBOT at a commercially reasonable fee or upon any other financial basis to be agreed upon between the Parties. Such financial arrangement may include upfront fees and/or modifications to the fee structure set forth in Schedule B. Except as otherwise agreed between CME and CBOT in a writing that specifically purports to amend this Agreement and is executed by individuals with authority to do so, CME and/or its licensors, as applicable, shall own all right, title and interest in any intellectual property created by the Parties in connection with any such implemented change that

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is used by CME in connection with providing Clearing Services. CME will grant CBOT a license covering its free use of its contribution to any intellectual property developed by CME.

3.11. **Assistance with Regulatory Matters.** CME agrees to actively participate in, and make available sufficient human and technical resources for, any submissions or presentations to, or meetings or discussions with, the staff of the CFTC respecting CME's provision of Clearing Services for CBOT Products. If CME reasonably determines that CME's active participation in such submissions, presentations, meetings or discussions with the CFTC may result in the disclosure of CME's confidential or proprietary information, CBOT will cooperate with CME to secure appropriate nondisclosure and confidentiality commitments from the CFTC prior to requiring CME's active participation in any such submissions, presentations, meetings or discussions.

4. CBOT Payment of Fees and Expenses.

4.1. **Generally.** CBOT will pay fees for the Clearing Services provided by CME in accordance with this Agreement as set forth in Schedule B hereto.

4.2. **Invoicing.** CME shall invoice CBOT and CBOT shall pay such invoices as provided in Schedule B. If CME does not receive any payment from CBOT in time required by schedule B, CME shall notify CBOT thereof and, if CBOT fails to pay such amount within fifteen (15) days of CBOT's receipt of such notice, CME may declare CBOT in Material Breach of this Agreement and may thereafter exercise its rights set forth in Section 10.1 below.

4.3. **Initial Development Fee.** CBOT shall reimburse CME for start-up costs incurred by CME in connection with preparations to perform its obligations under this Agreement up to a maximum amount of $2 million. CME's start-up costs may include, without limitation, costs associated with hardware purchased; software purchased, licensed, or developed internally; additional office space and other equipment required to support CME's operations on behalf of CBOT; and CME employee, consultant and independent contractor time billed either at an actual rate per hour or reasonable average rate per hour (including reasonable benefits costs and allocation of overhead). Such start-up costs incurred by CME shall be reimbursed by CBOT and such payments shall be non-refundable, without regard to termination of this Agreement for any reason. Such costs shall

be billed monthly and promptly paid.

4.4. **CBOT Costs of Formatting Data.** CBOT shall be responsible for and bear any costs of formatting trading data for use by its compliance and surveillance systems.

5. CME Intellectual Property.

5.1. **CME Ownership.** Subject to any different agreement between the Parties pursuant to Section 3.10.4, CME and its licensors, as applicable, shall have sole and exclusive ownership of all right, title and interest in and to the intellectual property and technology developed or used by CME in connection with providing Clearing Services. No provision of this Agreement shall be construed to bind or obligate CME in any way to develop, make further enhancements to or maintain any current or future version of the Clearing 21® system software or any of the Clearing Systems, provided that CME agrees that it will provide to CBOT the same Clearing Services utilizing the same systems CME applies to clearing the futures and options contracts traded on CME.

5.2. **CBOT Ownership of Data.** As between CBOT and CME, any and all trading data, surveillance records, investigation reports and other similar data or information created, generated, collected, or processed by CME in the performance of the Clearing Services ("CBOT Data") is and will remain the sole property of CBOT, and CME will and hereby does, without additional consideration, assign to CBOT any and all right, title and interest that CME may now or hereafter possess in and to the CBOT Data. Except as provided below, CBOT Data will not be utilized by CME for any purpose other than the performance of Clearing Services under this Agreement and will not be sold, assigned, leased or otherwise transferred, disposed of or provided to third parties by CME or commercially exploited by or on behalf of CME.

5.3. **CME Delivery of CBOT Data.** CME will promptly retrieve and deliver to CBOT a copy of all CBOT Data (or such portions as will be specified by CBOT), in the format and on the media reasonably prescribed by CBOT, at CBOT's reasonable request from time to time. Upon termination of this Agreement or at the completion of any requested Transition Clearing Services (whichever is later), if requested by CBOT, CME will destroy or securely erase all copies of the CBOT Data in CME's possession or under CME's control, except that CME may retain copies of such CBOT Data for its appropriate regulatory and surveillance purposes.

5.4. **Protection of CBOT Data.** CME will take those measures that CME takes to protect its own most confidential data of like kind, but not less than reasonable measures: (i) to preserve the security of the CBOT Data; (ii) to prevent unauthorized access to or modification of any CBOT Data; and (iii) to establish and maintain environmental, safety, facility and data security procedures and other safeguards against destruction, loss, alteration or theft of, or unauthorized access to, any CBOT Data.

5.5. **CME Use of CBOT Data.** Notwithstanding CBOT's ownership of CBOT Data as described above, CME shall be free to use CBOT Data with respect to the performance of the Clearing Services.

6. CBOT Contracts Subject to Clearing Services

6.1. **Launch Date.** On the Launch Date, CME shall commence clearing of all CBOT Products.

6.2. **CBOT Products.** Except as otherwise specified in this Agreement, all CBOT Products shall be subject to this Agreement and shall be cleared by CME, including any futures and options contracts traded at CME that CBOT also determines to list for trading. However, if a new CBOT Product requires changes to the Clearing Systems, Section 3.10 shall govern the timing of CME's response to a notification by CBOT of such requested change. Products other than futures and futures options products may be cleared by CME as CBOT Products under this Agreement only by mutual written agreement of the Parties.

6.3. **Notification to CME.** CBOT shall notify CME of the classes and maturity dates of the CBOT Products that it intends to list for trading in accordance with the Operational Policies and Procedures. CBOT shall also submit to CME in advance of listing any CBOT Product a copy of the contract specifications for the product, and shall provide CME advance notice thereafter of any changes in contract specifications for the product.

6.4. **Replica CBOT Products.** CME may offer and provide its clearing services to any exchange that lists for trading any product, including CBOT Core Products where the underlying deliverable commodity is the same or substantially the same as in a CBOT Core Product ("Replica CBOT Products"). If CME determines to provide clearing services for Replica CBOT Products traded or executed on any exchange other than CBOT, CME will notify

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CBOT at the time CME agrees to provide clearing services for, or thirty (30) days before CME begins clearing, such Replica CBOT Products, whichever is sooner. CBOT thereafter shall have ninety (90) days following receipt of such notice to determine whether to terminate this Agreement without penalty in light of such CME decision.

6.5. **Notices.** Notwithstanding Section 19.5, notices required under this Section 6 may be delivered by e -mail or through any other electronic method to which the Parties agree as a part of their operational discussions.

7. Admission of CBOT Clearing Members.

7.1. **Generally.** CME shall admit as Special CME Clearing Members all firms, including sole proprietorships, that were CBOT Clearing Members as of the Effective Date. CME shall also admit as Special CME Clearing Members any firms that become CBOT Clearing Members after the Effective Date if such firms meet CME's requirements for clearing members other than requirements respecting ownership of CME memberships or CME common stock. CBOT Clearing Members admitted as Special CME Clearing Members pursuant to this Agreement shall be authorized to clear CBOT Products, to the extent permitted by CBOT as of the Effective Date. The rights of such individuals or firms as Special CME Clearing Members may not be assigned or transferred voluntarily or by operation of law. For the avoidance of doubt, Special CME Clearing Members shall be permitted to clear other products cleared by CME only to the extent permitted by CME.

7.2. **Process for Admission.** Following the Effective Date, CME shall, in consultation with CBOT, adopt rules for the admission of CBOT Clearing Members as Special CME Clearing Members. Any CBOT Clearing Member admitted as a Special CME Clearing Member pursuant to Section 7.1 of this Agreement or under the rules adopted pursuant to this Section 7.2 shall be considered to be admitted pursuant to this Agreement and shall be subject to all of the rules, requirements and obligations of CME's clearing house, other than admission requirements, including ownership of CME memberships or CME common stock, and capital rules, except as hereinafter provided in this Section 7.

7.3. **Minimum Capital Rules.** Any CBOT Clearing Member that is operating in compliance as of the Effective Date, and that continues to remain in compliance through the Launch Date, with the Board of Trade Clearing Corporation ("BOTCC") rules respecting initial or admission capital requirements that are in effect on the Effective Date shall be deemed to be in compliance with CME minimum capital rules on the Launch Date. After that date, CME may increase or decrease the capital requirements for any Special CME Clearing Member on an individualized basis if the Special CME Clearing Member's risk profile changes materially, provided that CME may not, in any event, treat Special CME Clearing Members as a class or group for these purposes. To the extent any Special CME Clearing Member that is not also a CME Clearing Member is required by CME to increase its minimum capital, such increase may be achieved through the acquisition of additional CBOT memberships.

7.4. **Provisions for CBOT Clearing Members Joining After the Effective Date.** Any CBOT Clearing Member that was not a CBOT Clearing Member as of the Effective Date, but that becomes a Special CME Clearing Member thereafter, shall be subject to the following provisions with respect to capital requirements: (i) the CME capital requirement for such Special CME Clearing Member will be equivalent to the BOTCC requirement that would have applied to such CBOT Clearing Member if it had been a CBOT Clearing Member on the Effective Date, but (ii) CME may in its discretion require such Special CME Clearing Member to hold additional assets in an aggregate value equal to the difference between the

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CME minimum capital requirement and the BOTCC capital requirement described in clause (i) above. If CME requires a Special CME Clearing Member to hold additional assets as set forth in clause (ii) above, the assets allowed to be held in satisfaction of such requirement shall include CBOT memberships.

7.5. **Special Rules for CBOT Sole Proprietorship Clearing Members.** Any CBOT Clearing Member that is a sole proprietorship ("CBOT Sole Proprietorship Clearing Member") as of the Effective Date, admitted as a Special CME Clearing Member pursuant to this Section 7, shall be excused from compliance with the CME minimum capital rules for the Initial Term of this Agreement, and shall be subject to no other minimum capital requirements imposed by CME provided that such CBOT Sole Proprietorship Clearing Member (i) was in compliance with the BOTCC rules respecting initial or admission capital requirements that are in effect on the Effective Date, (ii) continues to operate in compliance with such BOTCC rules that were in effect on the Effective Date, and (iii) does not materially change its risk profile (in which case a change in minimum capital requirements by CME shall be subject to the provisions of Section 7.3). Any other CBOT Sole Proprietorship Clearing Member admitted as a Special CME Clearing Member shall be subject to special CME minimum capital rules that shall be agreed to by CME and CBOT. After the Initial Term of this Agreement has expired, all CBOT Sole Proprietorship Clearing Members shall be subject to those special capital rules.

7.6. **Lien on CBOT Memberships.** Each CBOT Clearing Member admitted hereunder as a Special CME Clearing Member shall execute in favor of CME a lien against the CBOT membership interests required to be held by CBOT for clearing status, as of the Effective Date, to qualify as a CBOT Clearing Member or otherwise required to be held under Section 7.4. The lien shall be the first lien against such membership interests following release of any prior lien held by BOTCC, which release shall be requested by the CBOT Clearing Member promptly following the Launch Date. Each Special CME Clearing Member will be subject to a requirement to continue to hold at least the same number of CBOT memberships that CBOT required such Special CME Clearing Member to hold for clearing member status as of the Effective Date.

7.7. **Audit of Non-FCM CBOT Clearing Members.** CBOT shall periodically audit its Clearing Members that are not futures commission merchants ("FCMs") and shall promptly share the results with CME's clearing house.

8. Transfer of CBOT Open Interest.

8.1. **CBOT Rules.** Promptly following the execution of this Agreement, CBOT shall draft and submit to the CFTC for approval rules that provide for the clearing of CBOT Products at the CME clearing house, to the extent provided herein, and rules that will facilitate the transfer of open interest in CBOT Products from BOTCC to CME. CBOT shall use its best efforts to ensure that such rules are approved by the CFTC reasonably in advance of the Launch Date, and CME shall use its best efforts to provide such assistance as CBOT may request in securing such approval.

8.2. **CME Rules.** Promptly following the execution of this Agreement, CME shall draft and submit to the CFTC for approval rules that provide for the clearing of CBOT Products at the CME clearing house, to the extent provided herein, and that will facilitate the transfer of open interest in CBOT Products from BOTCC to CME. CME shall use its best efforts to ensure that such rules are approved by the CFTC reasonably in advance of the Launch Date, and CBOT shall use its best efforts to provide such assistance as CME may request in securing such approval.

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8.3. **CME Margining of Positions.** CME shall margin the positions so transferred prior to the opening of trading in CBOT Products on the Launch Date, and the relevant Special CME Clearing Members shall be required to post the necessary performance bonds.

8.4. **CBOT Clearing Members.** CME may require that, in order to participate in the transfer of open interest described in this Section, CBOT Clearing Members that intend to become Special CME Clearing Members have completed CME's application process for Special CME Clearing Member status, have contributed to CME's security deposit pool, and have established appropriate banking relationships by a date certain prior to the Launch Date.

9. Network Interconnections Between CBOT and CME

9.1. **Facilities.** CME shall establish and maintain an appropriate router or routers at CBOT for the purposes of (i) delivering data to CME for clearing purposes, (ii) delivering data to CBOT for regulatory purposes, and (iii) exchanging data between the Parties for all other purposes required by this Agreement and the Schedules hereto. CME shall establish and maintain appropriate telecommunications circuits between CBOT and CME as necessary to handle message flow and data delivery as set forth above. CBOT shall provide computer room floor space and inside wiring for such routers and shall provide CME or any telecommunications provider with which it contracts for such services reasonable access for maintenance and testing purposes.

9.2. **Outsourcing Permitted.** CME may fulfill its obligation to establish and maintain the routers and telecommunications circuits described in Section 9.1 through appropriate contractual arrangements with telecommunications service providers and/or other technology service providers.

9.3. **Financial Terms.** CBOT shall be responsible for paying, via reimbursement to CME or direct billing, all third party or other direct costs (not to include CME employee or CME independent contractor time) associated with the establishment and maintenance of the telecommunications circuits and routers described in Section 9.1, provided that (i) where CME has a negotiated rate with an applicable telecommunications provider, CME shall attempt to secure for CBOT any preferential rate available under such contract, and (ii) in no event shall the amounts paid by CBOT under this Section exceed the published tariff rate of the applicable telecommunications provider. Unless CME arranges for CBOT to be billed directly by the applicable telecommunications provider, CME shall submit to CBOT an invoice for reimbursement of fees or other third-party costs actually paid by CME, and CBOT shall pay CME such amounts no later than the final business day of the calendar month following the month in which CME invoices CBOT.

10. Breach of Agreement; Termination.

10.1. **Breach of Agreement; Termination for Unexcused Breach.** If either Party is in breach of this Agreement, the non-breaching Party shall be required to provide written notice specifying such breach to the other Party, within five (5) business days of becoming aware of such breach, prior to submitting any Dispute Notice under Section 19.4 or exercising any right to terminate as set forth in this Section 10.1. The breaching Party shall have thirty (30) days from receipt of such notice to cure such breach. If the breaching Party cures such breach within such 30-day period, the right of termination or to submit a Dispute Notice shall expire and the breaching Party shall not be subject to any further remedy or liability in respect of such breach. If the breaching Party does not cure such breach within such 30-day period, *****.

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10.2. **Bankruptcy.** Either Party may terminate this Agreement immediately upon the occurrence of any of the following events affecting the other Party:

10.2.1. *Insolvency*. The other Party admits its inability to pay its debts generally as they become due, or makes an assignment of substantially all of its assets for the benefit of its creditors;

10.2.2. *Bankruptcy Filed.* A proceeding in bankruptcy or for the reorganization of the other Party or for the readjustment of its debts, under the United States Bankruptcy Code or any other State or Federal law for the relief of debtors now or hereafter existing, is commenced by or against the other Party and is not discharged within sixty (60) days of commencement; or

10.2.3. *Receiver Appointed.* A receiver or trustee is appointed in a bankruptcy proceeding for the other Party or for any substantial part of its assets, or any proceedings are instituted for the dissolution or the full or partial liquidation of such Party, and such receiver or trustee is not discharged within sixty (60) days of his or her appointment or such proceedings are not discharged within sixty (60) days of their commencement, as the case may be.

10.3. *****.

10.4. *****.

10.5. **CME Termination If Rules Not Approved.** If the CFTC fails to approve the rules that will allow CME to perform the Clearing Services by July 15, 2003, then CME may, within thirty (30) days at its sole discretion, terminate this Agreement (by August 15, 2003) by written notice to CBOT, without application of any cure period, unless the CFTC has approved such rules before CME exercises its right to terminate. Termination by CME pursuant hereto shall not constitute a breach by either Party. If CME does not exercise its right to terminate, then the Agreement shall continue according to its terms.

10.6. **Legal Or Regulatory Matters.** If either Party is precluded from performing its obligations under the Agreement by statute, regulation or legal action of any governmental agency, including failure of the CFTC to approve necessary rules (including rules necessary to transfer the open

interest) by the Launch Date, either Party may terminate this Agreement by written notice, without application of any cure period, and upon such termination both Parties shall be excused, without penalty or liquidated damages, from any further performance under the Agreement. If the Parties elect not to terminate this Agreement, they shall renegotiate in good faith the Launch Date, the Initial Term and payment of CME's costs of continuing to be prepared to begin performance under this Agreement..

10.7. *****.

10.8. **CME Provision of Clearing Services for Replica CBOT Products.** Section 6.4 shall govern the respective rights of the parties if CME notifies CBOT that CME will offer clearing services for Replica CBOT Products.

10.9. **Inability to Meet Launch Date.** If CME's provision of services under this Agreement on the Launch Date is deficient to an extent that prevents CBOT from operating its exchange for a substantial portion of the trading day on the Launch Date due solely or primarily to failures or problems that were within CME's ability to prevent or mitigate, failure to perform shall be CME's responsibility and shall constitute a Material Breach by CME. In such case, within five (5) business days thereafter CBOT may either (i) seek to terminate this Agreement by exercising its rights as set forth in Section 10.1, or (ii) without application of any provision of Section 10.1, including any cure period, file a Dispute Notice and pursue a

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claim for damages, provided that any such claim for damages shall be subject to the special limitation of liability set forth in the first sentence of Section 15.1. If CME's provision of services under this Agreement on the Launch Date is deficient to an extent that prevents CBOT from operating its exchange for a substantial portion of the trading day on the Launch Date due solely or primarily to failures or problems that were within CBOT's ability to prevent or mitigate, and CBOT failed to prevent or mitigate such failures or problems despite receiving notice from CME concerning the risk of failing to meet the Launch Date, then the failure to perform shall be the responsibility of CBOT and shall constitute a Material Breach by CBOT, which shall trigger CME's rights under Section 10.1. For purposes of this Section 10.9, a failure by CBOT's electronic trade matching facility service provider that was within such service provider's ability to prevent or mitigate shall be deemed a failure by CBOT. In any situation described in this Section 10.9 and throughout any applicable cure period, the Parties shall remain in regular communication concerning the failure at issue, and the breaching Party shall give prompt notice to the other Party if it determines that it will not cure the breach within the cure period.

10.10. **Joint Press Release.** If either Party terminates this Agreement prior to or immediately following the Launch Date, the Parties shall work together to issue a joint press release and, if appropriate, hold a joint press conference, concerning the termination of the Agreement.

10.11. **Break-up Fees Reasonable**. The Parties agree that the liquidated damages and break-up fees set forth in this Section 10 represent a reasonable measure of damages to CME or CBOT, as the case may be, under the circumstances resulting in such termination. The Parties agree that calculating the measure of damages to either Party under the circumstances under which break-up fees are to be paid would be extremely difficult given the complexities of the business arrangements, the uncertainty of the revenues to be earned by either Party through the arrangements set forth in this Agreement, and the uncertainty of the value of opportunities that will have been lost by the terminating Party under the circumstances.

10.12. **Action for Damages.** For the avoidance of doubt, either Party may bring an action for damages against the other Party alleging any breach of this Agreement (except where an alleged breach has been cured, as described in Section 10.1) in lieu of invoking any right to terminate and receive agreed liquidated damages as described in any provision of Section 10. Any such action for damages shall be subject to the applicable limitation of liability set forth in Section 15.1 or Section 15.2.

11. **Limited Right to Continuance of Clearing Services.** Notwithstanding any other provision of this Agreement, upon termination of this Agreement for any reason, if CBOT is unable to engage another entity prepared and able to provide services comparable to the Clearing Services on commercially reasonable terms, CBOT shall have the right to require that CME continue providing any or all of the Clearing Services, as set forth below. For the avoidance of doubt, pricing terms generally shall be deemed commercially reasonable, and alternate services generally shall be deemed comparable, if such terms and services are reasonably similar to those accepted by other parties receiving services from other clearing services providers.

11.1. **Six-Month Continuation Period.** In the event that (i) this Agreement is terminated by CME as a result of an Unexcused Breach by CBOT, (ii) CBOT elects not to renew this Agreement pursuant to Section 2 above, or (iii) this Agreement is terminated for any other reason except those described in Section 11.2, CBOT may require that CME continue to provide Clearing Services after the termination of this Agreement or expiration of the Initial Term or Renewal Term of this Agreement, as the case may be, for 180 days.

11.2. **One-Year Continuation Period.** In the event that (i) this Agreement is terminated by CBOT as a result of an Unexcused Breach by CME, (ii) this Agreement is terminated by CBOT

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pursuant to Section 6.4, or (iii) CME elects not to renew this Agreement pursuant to Section 2 above, CBOT may require that CME continue providing Clearing Services after the termination or expiration date, as the case may be, for up to one (1) year.

11.3. **Payment of Fees.** In the event that CBOT requires CME to continue to provide all or substantially all of the Clearing Services pursuant to this Section 11, CBOT shall pay CME for these Clearing Services at the fees set forth in Schedule B. In the event that this Agreement is terminated by CME for nonpayment of fees, bankruptcy or insolvency, or if CBOT fails to timely pay fees during the continuation period, CME shall not be

required to continue to provide Clearing Services unless CBOT pays CME monthly in advance for the continued provision of such Clearing Services based upon a reasonable estimate of the amounts likely to be due in respect of each month. CME agrees to credit back to CBOT any estimated amounts paid by CBOT that are later determined to be over-payments by CBOT.

11.4. **Notice to CME.** If CBOT elects to require the continuation of any Clearing Services under this Section 11, then CBOT shall give at least ninety (90) days prior written notice to CME of the date for cessation of such continuation of Clearing Services.

11.5. **Hold Over by CBOT.** If CBOT is unable to transfer to another provider of clearing services at the conclusion of any of the periods provided above for the limited continuation of Clearing Services, CME shall continue to provide the Clearing Services. During the period that CME provides clearing services under this Section 11.5, CBOT shall pay a fee of ***** plus all additional costs incurred by reason of CBOT's failure to transfer to another DCO, including without limitation any necessary retention bonuses or employment benefits or fees, in addition to the fees set forth in Schedule B, for each month that it holds over.

11.6. **Continuation is Not Renewal.** Continuation of Clearing Services under this Section 11 shall not be deemed a renewal of this Agreement under Section 2 beyond the termination date.

12. **Transition Clearing Services.** In connection with the termination of this Agreement for any reason or expiration of the Initial Term or Renewal Term of this Agreement, as the case may be, and in order to assist CBOT in terminating the Clearing Services and transitioning such services to another entity in an orderly manner, CME shall, if and as requested by CBOT, provide the following services (the "Transition Clearing Services"):

12.1. **Transition Plan.** CME and CBOT shall cooperate to prepare a transition plan setting forth the respective tasks to be accomplished by each Party in connection with the transition and a schedule pursuant to which such tasks are to be completed;

12.2. **Necessary Date.** CME shall provide CBOT with all data and other information maintained by CME necessary to transfer responsibility for providing the Clearing Services to another entity as of the date services are no longer rendered by CME and all hardcopy records relating to other CBOT Data maintained by CME, except that CME may retain copies of such data and other information for its appropriate regulatory and surveillance purposes; Such data and other information shall be provided to CBOT on magnetic tape or such other storage medium, and in such format, reasonably acceptable to CBOT;

12.3. **Transfer of Positions.** CME shall transfer any open positions in CBOT Products from CME to the new DCO selected by CBOT in accordance with directions CME shall receive from CBOT for such transfer; and

12.4. **Reimbursement of Costs.** CBOT shall pay or reimburse CME for any and all costs ("Transition Costs") reasonably and actually incurred by CME that are directly attributable to providing Transition Clearing Services in accordance with this Section 12 (with the rates

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for any CME employees used to perform such Clearing Services reasonably reflecting CME's fully loaded costs with respect to such employees, plus a commercially reasonable profit margin); provided that CME shall act in good faith and use commercially reasonable efforts to minimize and mitigate any Transition Costs.

13. Confidentiality.

13.1. **Generally.** CBOT and CME each acknowledges that it will receive during the term of this Agreement confidential or proprietary information of the other Party relating to the Clearing Services and Clearing Systems. (All such information is collectively referred to in this Agreement as "Proprietary Business Information.") Materials embodying such information and within the scope of this Section 13.1 shall bear reasonable legends to such effect to the extent appropriate. Each Party agrees to take reasonable steps to maintain the confidentiality of the Proprietary Business Information of the other Party, and each Party agrees to use such information only in connection with the performance of its obligations and the exercise of its rights under this Agreement and for appropriate regulatory and surveillance purposes. In the event that this Agreement is terminated for any reason, each Party agrees that it shall use reasonable efforts to return to the other Party or destroy all Proprietary Business Information of the other Party in its possession in tangible form and that it shall not knowingly retain any copies thereof, except that each Party may retain copies of the other Party's Proprietary Business Information for its appropriate regulatory and surveillance purposes.

13.2. **Exclusions.** In no event shall the provisions of this Section 13 apply to any information that: (i) was rightfully known to the receiving Party prior to its receipt from the disclosing Party, or becomes rightfully known to the receiving Party other than as a result of the relationship between the Parties pursuant to this Agreement; (ii) is or becomes public knowledge through no fault of the receiving Party; (iii) is disclosed to the receiving Party by a third Party with the right to disclose the information without restriction or subject to restrictions to which the receiving Party has conformed; or (iv) is independently developed by the receiving Party without use of any confidential or proprietary information of the disclosing Party. Notwithstanding anything in Section 13.1 above to the contrary, each Party may disclose any Proprietary Business Information received by it to the extent that it is required by subpoena or other order of court, law or other regulation, or required or requested by any governmental or regulatory authority having jurisdiction or required pursuant to an information sharing agreement, rule, or policy with another self-regulatory body, to furnish such Proprietary Business Information to any third Party, or as otherwise permitted in this Agreement; provided that, in any such case, the receiving Party shall provide the disclosing Party with prompt notice thereof so that the disclosing Party may seek an appropriate protective order. In the absence of a protective order, if the receiving Party is nonetheless, in the opinion of its counsel, compelled to furnish Proprietary Business Information to any third Party or else stand liable for contempt or suffer other censure or penalty, such Party may furnish such information without liability under this Section 13 or otherwise.

14.

Force Majeure. Each Party shall be excused from performance under this Agreement and shall have no liability to the other Party to the extent that, and for any period during which, it is prevented from performing any of its obligations hereunder as a result of any act, or failure to act, of the other Party or by an act of God, war, civil disturbance, act of terrorism, court order (except as provided in Section 10), or other cause beyond its reasonable control (including, without limitation, failures or fluctuations in the electrical or mechanical equipment, communication lines, heat, light or telecommunications, in each case to the extent beyond its reasonable control),

provided that each party agrees to apply fully its disaster recovery system to minimize any reduction in service it has agreed to provide under this Agreement.

15. Liability Limits; Indemnification.

15.1. **CME.** *****. Notwithstanding the foregoing, but subject to the provisions of Section 16 below, CME shall indemnify, defend and hold harmless CBOT and its directors, officers, employees and agents, in accordance with the procedures described in Section 16.1 below, from and against any and all losses, liabilities, damages and claims, and all related costs and expenses (including without limitation reasonable attorneys' fees), arising from the willful misconduct on the part of CME, its directors, officers, employees or agents.

15.2. **CBOT.** *****. Notwithstanding the foregoing, but subject to the provisions of Section 16 below, CBOT shall indemnify, defend and hold harmless CME and its directors, officers, employees and agents, in accordance with the procedures described in Section 16.1 below, from and against any and all losses, liabilities, damages and claims, and all related costs and expenses (including without limitation reasonable attorneys' fees), arising from the willful misconduct on the part of CBOT, its directors, officers, employees or agents.

16. Indemnity

16.1. **Procedure.** If any third Party notifies either Party (the "Indemnified Party") with respect to any matter which may give rise to a claim for indemnification against the other Party (the "Indemnifying Party"), then the Indemnified Party shall promptly notify the Indemnifying Party thereof; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any liability or obligation hereunder, except to the extent (if any) that the Indemnifying Party is damaged by such delay. If the Indemnifying Party notifies the Indemnified Party that it is assuming the defense of any claim:

16.1.1. *Defense of Claim.* The Indemnifying Party shall defend the Indemnified Party against such claim with counsel of its choice reasonably satisfactory to the Indemnified Party;

16.1.2. *Separate Co-counsel Permitted.* The Indemnified Party may retain separate co-counsel at its sole cost and expense (except that the Indemnifying Party shall be responsible for the fees and expenses of the separate co-counsel to the extent that the Indemnified Party concludes reasonably that the counsel the Indemnifying Party has selected has a conflict of interest);

16.1.3. *Consent Decree or Settlement.* The Indemnified Party shall not, without foregoing the benefits of this Section 16.1, consent to the entry of any judgment or enter into any settlement with respect to such claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed; and

16.1.4. *Full Release.* The Indemnifying Party shall not consent to the entry of any judgment with respect to the matter or enter into any settlement which does not include a provision whereby the plaintiff or claimant releases the Indemnified Party from any and all responsibility and liability with respect to such claim, without the prior written consent of the Indemnified Party.

17. Consequential and Punitive Damages. *****.

18. Public Announcements.

18.1. **Requirements Generally.** CME and CBOT each agree that it will not issue any public announcement concerning CME's provision of Clearing Services, the terms of this Agreement, the negotiations between CME and CBOT leading up to and following the execution of this Agreement, or any other matter related in any way to this Agreement that, for each Party, involves the other Party, without (i) consulting with the other Party prior to issuing the announcement so that such announcements may be issued jointly, if appropriate; (ii) providing the other Party an advance copy of the proposed press release or other announcement not later than three (3) business days prior to its release; and (iii) in the case of public appearances by directors, officers or other officials associated with a Party at which any of the foregoing matters are likely to be discussed, providing advance notice to the other Party of such appearance and, if possible, extending an invitation to the other Party for a representative of its own to be included in such appearance.

18.2. **Definition.** For purposes of this Section, a "public announcement" shall include, without limitation, (i) any press release, press statement or press conference, (ii) any brochures or notices to be delivered or made available to the public generally (including marketing materials), and (iii) any notice to be circulated to Clearing Members or Market Participants, that, in each case, includes or may include material information that has not previously been released about the terms of or negotiations surrounding this Agreement or the relationship between CME and CBOT that is

established through this Agreement.

18.3. **Joint Press Releases, Statements and Conferences.** Notwithstanding the foregoing, the Parties shall use their best efforts to ensure that any press release, press statement or press conference the primary topic of which concerns this Agreement or the relationship between CME and CBOT shall be a joint press release, press statement or press conference.

19. Miscellaneous.

19.1. **Benefits of Agreement.** This Agreement shall be binding upon, and inure to the benefit of, the Parties hereto and their respective successors. Except to the extent provided in Sections 15.1 and 15.2 above with respect to the directors, officers, employees and agents of CBOT and CME, respectively, nothing in this Agreement, express or implied, shall give to any other person or entity any benefit or any legal or equitable right or remedy.

19.2. **Waiver.** Except as expressly provided herein, neither Party shall, by mere lapse of time, without giving notice or taking any other action, be deemed to have waived any breach by the other Party of any of the provisions of this Agreement.

19.3. **Governing Law**. This Agreement shall be construed and enforced in accordance with the laws of the State of Illinois (other than the laws thereof that would require reference to the laws of any other jurisdiction).

19.4. **Dispute Resolution**. A Party shall not commence a litigation proceeding against the other Party unless that Party first gives written notice to the other Party setting forth the nature of the dispute ("Dispute Notice"). The Parties shall attempt in good faith to resolve the dispute by mediation with a mediator selected by mutual agreement of the Parties. If the Parties cannot agree on the selection of a mediator within twenty (20) days after delivery of the Dispute Notice, or if the dispute has not been resolved by mediation as provided by this Section 19.4 within sixty (60) days after the delivery of the Dispute Notice, then either Party may commence litigation. The state courts of the County of Cook, Illinois and the United States District Court for the Northern District of Illinois shall have the exclusive jurisdiction over any and all litigated claims arising out of or relating to this Agreement or the subject

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matter hereof. Each of the Parties hereby irrevocably (i) submits to the personal jurisdiction of such courts over such Party in connection with any litigation, proceeding or other legal action arising out of or in connection with this Agreement or the subject matter hereof, (ii) waives to the fullest extent permitted by law any objection to the venue of any such litigation, proceeding or action which is brought in any such court, and (iii) agrees to the mailing of service of process to the address specified below for such Party as an alternative method of service of process in any legal proceeding brought in any such court.

19.5. **Notices**. All communications or notices required or permitted to be given under this Agreement shall be sufficiently given for all purposes hereunder if given in writing and (i) delivered personally, (ii) deposited in the United States mail, postage prepaid and return receipt requested, (iii) delivered by a recognized document overnight delivery service or (iv) sent by telecopy, facsimile or other electronic transmission service (provided a confirmation of delivery is received). All notices delivered in accordance with this Section 19.5 shall be sent to the appropriate address or facsimile number set forth below, or to such other address or facsimile number or to the attention of such other person as the recipient Party may have specified by prior written notice to the sending Party.

CME Contact	CBOT Contact
Mr. Craig Donohue	Ms. Carole Burke
Executive Vice President and Chief Administrative Officer	Executive Vice President, Chief of Staff and General Counsel
Chicago Mercantile Exchange Inc.	CBOT
30 South Wacker Drive	141 W. Jackson Blvd
Chicago, Illinois 60606	Chicago, Illinois 60604
Facsimile No.: 312-930-3323	Facsimile No.: 312-341-3392

19.6. **Severability**. If any provision of this Agreement is deemed to be illegal or unenforceable by any court of competent jurisdiction, (i) such provision shall be deemed to be severable from the remainder of this Agreement, (ii) the effect of such determination shall be limited to such provision to the extent reasonably practicable, and (iii) the validity, legality and enforceability of such provision in any other jurisdiction shall not in any way be affected or impaired thereby.

19.7. **Amendments**. No provision of this Agreement may be amended, modified, supplemented or waived, except by an agreement in writing executed and delivered by authorized representatives of both Parties.

19.8. **Entire Agreement**. This Agreement, including the Schedules hereto, constitutes the entire agreement and understanding, and supersedes any and all prior agreements and understandings, whether written or oral, between the Parties with respect to the subject matter hereof.

19.9. **Relationship of Parties**. CME, in providing the Clearing Services, is acting only as an independent contractor. Except as expressly provided in this Agreement or any other agreement to which CME and CBOT are parties, CME does not undertake to perform any obligations of CBOT, whether regulatory or contractual, or to assume any responsibility for the business or operations of CBOT.

19.10. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which when so executed shall be an original, but all of which together shall constitute but one and the same instrument.

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19.11. **Assignment**. This Agreement may not be assigned in whole or in part by either Party hereto without the prior written consent of the other Party hereto. CBOT may assign this Agreement and its rights and obligations hereunder to an entity to which CBOT is selling all or substantially all of its assets without the prior written consent of CME. The consummation of the transactions contemplated by CBOT's proposed restructuring shall not be deemed to be such an assignment or sale for purposes of this Agreement. CME may assign this Agreement and its rights and obligations hereunder, in their entirety, to an entity to which CME is selling all or substantially all of its clearing assets without the prior written consent of CBOT.

19.12. **Survival**. Following any termination of this Agreement in accordance with its terms and the expiration of the post-termination obligations of CME pursuant to Sections 11 and 12 hereof, all obligations hereunder of each Party to the other shall terminate and (without limiting the generality of the foregoing) CME shall have no further obligation to provide Clearing Services to CBOT. Notwithstanding the foregoing, however, the provisions of Sections 13, 15, 16 and 17 of this Agreement (including this Section 19.12) shall survive and remain in effect following any termination of this Agreement in accordance with its terms and the expiration of the post-termination obligations of CME.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

CHICAGO MERCANTILE EXCHANGE INC.

By: /s/ TERRENCE A. DUFFY

Terrence A. Duffy,
Chairman of the Board, CME
Date:

By: /s/ JAMES J. MCNULTY

James J. McNulty
President and Chief Executive Officer
Date:

THE BOARD OF TRADE OF THE CITY OF CHICAGO, INC.

By: /s/ CHARLES P. CAREY

Charles P. Carey
Chairman of the Board, CBOT
Date:

By: /s/ BERNARD W. DAN

Bernard W. Dan
President and Chief Executive Officer
Date:

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SCHEDULE A
DESCRIPTION OF CLEARING AND SETTLEMENT SERVICES

In accordance with the terms of this Agreement, CME shall provide clearing services as follows with respect to transactions in CBOT Products:

Electronic Trade Acceptance. CME shall accept for clearing and guarantee matched trades submitted to CME by CBOT (or CBOT's electronic trade matching facility service provider) in accordance with the CME Rules and the Operational Policies and Procedures in effect from time to time.

Pit Trade Acceptance—Electronic Devices. CME shall receive unmatched trade records submitted to CME by CBOT from electronic pit trading technology devices, and CME shall accept for clearing and guarantee such trades upon matching by CME in accordance with the CME Rules and the Operational Policies and Procedures in effect from time to time.

Pit Trade Acceptance—Open Outcry. CME shall receive unmatched trade records submitted to CME by Special CME Clearing Members for trades executed without benefit of electronic pit trading technology devices, and CME shall accept for clearing and guarantee such trades upon matching by CME in accordance with the CME Rules and the Operational Policies and Procedures in effect from time to time.

Ex-Pit Trade Acceptance. CME shall receive unmatched trade records submitted to CME by Special CME Clearing Members for ex-pit trades (blocks and EFPs) that are executed in accordance with CBOT rules, and CME shall accept for clearing and guarantee such trades upon payment of initial settlement variation and performance bond by the applicable settlement bank for each party to the transaction, as set forth in the CME Rules and the Operational Policies and Procedures in effect from time to time.

Requirements for CME Trade Acceptance. In addition to the other requirements that may be set forth in this Agreement, the CME Rules and the Operational Policies and Procedures, the following requirements apply to CME's receipt and acceptance for clearing of trades as set forth in this Schedule A:

Origins for Matched and Unmatched Trade Records. CME will support up to four origins for transactions in CBOT Products—house, house market-maker, customer, and customer market-maker—subject to final confirmation by CBOT promptly following the effective date.

Report Formats. Message formats for trade records, including but not limited to, trade registers, out-trade and EQC reports, and brokers' matched and unmatched trade reports shall conform to CME specifications.

Opposite House Switches. CME will not support the current modified contra matching practice currently employed by BOTCC with respect to unmatched trades in CBOT products. However, CME will facilitate matching of unmatched trades by performing automatic opposite house switches for unmatched trades in CBOT products, as CME does for unmatched trades in its own products, in accordance with the CME Rules and the Operational Policies and Procedures. CME will explore the functional requirements for integrating modified contra-matching processes as a possible enhancement after the Launch Date.

SLEDs. CME will not support single-line spread entry functionality ("SLEDs") as of the Launch Date. CME will use reasonable efforts, in consultation with CBOT, to implement SLEDs for transactions in CBOT products by February 20, 2004.

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Position Maintenance and Settlement. On a daily basis CME shall calculate and collect original margin, premium and variation margin on futures and options trades and positions in the accounts of Special CME Clearing Members. CME shall settle the gains and losses associated with futures and options trades and positions in the accounts of clearing members at least once each business day, typically twice each business day, and more frequently as CME determines is warranted by market volatility.

CME PCS Process. CME's position change submission (PCS) process will be used for reporting final positions and spreadable positions and to determine each clearing member's final position for margining purposes and for exercise and assignment of options, as well as for determining the exchange open interest to be reported for each business day.

Net Margining of CBOT Products. CME will support net margining of positions in CBOT Products in substantially the same manner as the current procedures employed by BOTCC with respect to performance bond requirements. Notwithstanding the foregoing, CME may adjust formulas for calculating security deposit requirements or assessment of security deposit contributions with respect to net-margined products, as CME in its reasonable discretion deems appropriate in order to fairly and equitably calculate security deposit requirements, given differences between positions subject to gross margining and positions subject to net margining.

SPAN Files. CME will generate and distribute to Special CME Clearing Members' and customers' SPAN files reflecting SPAN margining of positions in CBOT Products. SPAN files will be distributed over the internet and through any other means specified in the CME Rules and the Operational Policies and Procedures. CME may generate and distribute joint SPAN files for positions in CBOT Products, CME products and products of any other exchange for which CME provides clearing services or linked clearing.

Authority Over Clearing Firm Margin Requirements. CME will work with CBOT to develop a coordinated performance bond / margin review process such that CME can receive input from CBOT as to performance bond / margin requirements. Such process shall involve monthly meetings with representatives designated by CBOT and will involve data analysis and discussions with respect to how and when to implement changes to clearing firm level performance bond / margin requirements; provided however, that ultimate control over performance bond / margin requirements at the clearing member level shall reside with CME. Notwithstanding the foregoing, CME agrees that determinations by CME with respect to performance bond / margin requirements for CBOT Core Products shall be made strictly on the basis of risk management principles and shall not involve competitive considerations associated with CME products and competing CBOT Products. Additionally, CME shall not recognize clearing member level spreads between CBOT Products and products of any other exchange without the prior written approval of CBOT.

Authority Over Customer Level Requirements. CBOT shall have ultimate control over customer level exchange minimum performance bond / margin and spread requirements, provided that CBOT shall consult with CME as to such requirements as a part of the coordinated review process to be developed between CME and CBOT.

Acceptable Collateral. CME will review the forms of collateral currently accepted by BOTCC that are not currently accepted by CME and, where in CME's judgment such additional forms of collateral are frequently used and not unduly costly or risky to accept, CME will amend the CME Rules to accept such forms of collateral with respect to CBOT Products. Notwithstanding the foregoing, CME will conduct this review process prior to the Launch Date only if time permits.

Transfers. CME shall effect the transfer of positions in CBOT Products between Special CME Clearing Members, where applicable, in accordance with the CME Rules and Operational Policies and Procedures in effect from time to time. Transferred positions will be guaranteed by CME to the

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transferee only upon payment of initial settlement variation and performance bond by the transferor or the transferee, as applicable.

Give-Up Transactions. CME will make the allocate claim system ("ACS") available to Special CME Clearing Members for processing give-up transactions.

Exercise and Assignment. CME will provide exercise and assignment functionality to Special CME Clearing Members with respect to positions in options products, including at option expiration, as set forth in the CME Rules and the Operational Policies and Procedures. CME will not support option expiration processing on Saturdays, and option expiration processing for CBOT Products as of the Launch Date will be completed on Fridays (or another business day, with respect to Friday holidays) in accordance with the CME Rules and the Operational Policies and Procedures.

Deliveries. CME will provide automated support to CBOT in connection with deliveries management of CBOT Products, including inventory of deliverable positions, inventory of deliverable supply, delivery intent processing, delivery assignment, and delivery invoicing, except that CBOT shall maintain responsibility

for management and operation of the registration and delivery process. CME will provide automated deliveries support as of the Launch Date of financial and equity CBOT Products that are listed for trading by CBOT as of the Effective Date. CME will use its best efforts to implement automated deliveries support of other CBOT Products that are listed for trading by CBOT as of the Effective Date, including agricultural products, as of the Launch Date or as soon thereafter as is practicable. CME shall provide automated deliveries support for new CBOT Products (or for changed features of existing CBOT Products) listed for trading by CBOT after the Effective Date, provided that the product characteristics permit automation of deliveries management through means substantially similar to those that CME then employs with respect to other products cleared by CME. If significant development work will be required by CME to provide automated deliveries support for such products listed for trading by CBOT after the Effective Date, the work will be subject to the change request procedures set forth in Section 3.10.

Settlement Banks. CME will interface with all banks that serve as settlement banks for transactions in CME products to provide settlement services for transactions in CBOT Products also, provided that such banks agree to serve as settlement banks for transactions in CBOT Products. Additionally, CME will use best efforts to establish a settlement bank relationship with Lakeside Bank and, as appropriate, Burling Bank, prior to the Launch Date.

Large Trader Reports. CME will collect on CBOT's behalf the large trader submissions from Special CME Clearing Members or their clients and forward such submissions to the CFTC and to CBOT for regulatory purposes. The CME clearing house shall be authorized to use this data to perform the type of account level stress testing it performs on its own products to identify concentration of client exposure at a clearing member. CME shall facilitate reporting of large trader data for CBOT products by accepting transmissions of such data in standard formats. CME shall construct an application that maintains a database of firms, customer accounts, and EINs (the term CBOT uses for the number used to aggregate customer accounts by beneficial owner). For each reported position, the application shall search in the database by the firm and customer account: a) if the firm and customer account is found, the application shall tag the position with the EIN for it; and b) if the firm and customer account is not found, the application shall assign the EIN, using CBOT's standard convention, and tag the position with the newly-assigned EIN. The application shall then prepare a datafile of reported positions for transmission to CBOT, with each position tagged with its EIN. The application shall further provide CBOT staff with an interface for viewing and modifying the EIN assigned to a particular firm and customer account. CBOT shall provide an initial datafile or files for loading this application with its existing EINs and their associated firm and customer accounts. CME shall prepare position limit reports against the large trader data for provision to CBOT. Other than these enumerated processes, all

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responsibility for large trader reporting analysis and other larger trader-related functions remains with CBOT.

Calculation and Collection of Fees. CME will calculate, bill and collect clearing fees from Special CME Clearing Members for transactions in CBOT Products, using the transaction types for which CME currently bills clearing members with respect to transactions in its own products. The rate billed will be determined by CBOT for the fee for initial cleared transactions, including block trades, EFPs and other alternative execution procedures, and by CME for post-trade transaction types (including, without limitation, give-ups, transfers, option exercise and assignment, and deliveries).

Operational Timeline. Except as otherwise set forth in the CME Rules or the Operational Policies and Procedures, the operational timeline for clearing services and submission of reports for transactions and positions in CBOT Products shall be the same as it is with respect to transactions and positions for CME products. CME anticipates using single, combined clearing process cycles for both CME products and CBOT Products. Consequently, CME's deadlines and requirements shall apply with respect to processes including, but not limited to, trade report submission deadlines, out-trade report production, final reconciliation and option exercise deadlines, mark-to-market and settlement cycles (including intra-day cycles), collateral substitution and withdrawal deadlines, and pay/collect procedures.

Support for Existing and Future CBOT Product Characteristics. Subject to any specific limitations set forth in this Schedule A or elsewhere in this Agreement, in providing the Clearing Services CME will develop systems and adopt practices as necessary to support the product features and characteristics of CBOT products as they are listed for trading as of the Effective Date, including, without limitation, fractional price formats and variable cabinet pricing. CME shall similarly support new product features and characteristics of existing CBOT Products or those that CBOT may list for trading in the future, provided, however, that if the features and characteristics of such products differ materially from those of products then cleared by CME, CME's support of such new product features or characteristics shall be subject to the change request procedures set forth in Section 3.10.

Security Deposit Management and Assessment. CME will calculate and collect from Special CME Clearing Members security deposit contributions in accordance with the CME Rules and the Operational Policies and Procedures in effect from time to time. CME shall have the authority, as set forth in the CME Rules and the Operational Policies and Procedures in effect from time to time, to seize the security deposits of Special CME Clearing Members and to further exercise certain limited assessment powers in the event of a default by either a Special CME Clearing Member or a CME clearing member. For the avoidance of doubt, CME shall manage a joint security deposit pool for the benefit of Special CME Clearing Members and CME clearing members with respect to transactions in CME products, transactions in CBOT Products, and transactions in the products of any other exchange for which CME provides clearing services or linked clearing, unless CME's agreement with such other exchange prohibits a joint guarantee fund. Consequently, the security deposit contributions of CME-only clearing members may be assessed as a result of defaults as to transactions in CBOT Products, and the contributions of CBOT-only clearing members who are Special CME Clearing Members may be assessed as a result of defaults as to transactions in CME products.

Support for Cross-Margining of CBOT Products. CME will provide support for and will participate in cross-margining of positions in CBOT Products held by Special CME Clearing Members pursuant to CBOT's existing cross-margining arrangements with GSCC and OCC, provided that CBOT shall secure any necessary amendments to substitute CME for BOTCC in its current cross-margining agreements with GSCC and OCC. CME will provide support for and will participate in cross-margining of positions in CBOT Products held by Special CME Clearing Members under any other cross-margining agreements (or amendments to existing agreements) into which CBOT may enter in the future, provided that (i) such support, including without limitation the development of necessary interfaces, shall be subject to the change request procedures set forth in Section 3.10, and (ii) CME may decline

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to support such cross-margining agreement if CME concludes, in its sole reasonable judgment after consultation and negotiation with CBOT and the other party, that such proposed cross-margining arrangement presents an unacceptable credit risk to CME.

Information and Reports for CBOT. With respect to each trading day, CME will deliver to CBOT the following reports in accordance with the Operational Policies and Procedures:

a. End-of-day volume and open interest file;

b. End-of-day transaction listing file; and

c. Large trader data file as submitted by Clearing Members

Information and Reports From CBOT. CBOT (or a third-party service provider to CBOT, if CBOT delegates such obligation) shall provide the following reports and information to CME in accordance with the Operations Policies and Procedures:

a. A daily data file of the CBOT Products eligible for trading on the next business day;

b. Information on the performance bond requirements CBOT sets for the customer level exchange minimum requirements, which must be provided at least three to five business days prior to their effective date except in situations where changes are driven by unusual market volatility. Such data is required in order for CME to produce the appropriate customer level SPAN files;

c. A daily data file of eligible CBOT traders for the next trading day, together with identification of each trader's guarantor Special CME Clearing Member;

d. Two-sided matched trade record messages, in near real time, for trades executed electronically on LIFFE Connect;

e. One-sided (unmatched) trade record messages, in near real time, from any electronic trading floor technology devices where CBOT rather than the Special CME Clearing Members will be the source of the trade data;

f. Two-sided matched trade messages in near real time for any pit trades matched by any trade matching system for such trades as CBOT may implement;

g. Real time quote stream of CBOT prices for real-time clearing house and Special CME Clearing Member risk management; and

h. End of day settlement prices received both via a datafile and via the real time quote stream to be received by approximately 2:30-2:45 p.m. for products that settle by 2:00 p.m. and by approximately 3:45-4:00 p.m. for products that settle later than 2:00 p.m. The purpose of receiving such end-of-day settlement prices in a timely manner is to facilitate the timely publication of daily SPAN files for CBOT Products and to allow Clearing Members to begin bookkeeping processing in a timely manner.

Information and Reports for Clearing Members. CME will make available to each Special CME Clearing Member on every business day the following information, in machine readable format in accordance with the CME Rules and the Operational Policies and Procedures:

a. futures and options transactions accepted by CME for each account of the Special CME Clearing Member;

b. obligations to receive or deliver products or instruments underlying matured physically settled futures contracts in the Special CME Clearing Member's accounts;

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.

c. give-up trades, position transfers and other transactions in the Special CME Clearing Member's accounts involving CBOT Products;

d. EFP transactions, which will be identified as such by CME using an available "data field" when such transactions are identified as such to CME by CBOT or Special CME Clearing Members;

e. block trades, which will be identified as such by CME using an available "data field" when such transactions are identified as such to CME by CBOT or Special CME Clearing Members;

f. the daily mark-to-market of each open position in futures held by each Special CME Clearing Member; and

g. amounts of money due to and from CME from and to each Special CME Clearing Member for each account held by the Special CME Clearing Member with CME.

File Formats Generally. The formats for data files and/or messages to be exchanged among CME, CBOT, any third-party service provider to CBOT or any other entity with which CME must exchange data in connection with providing Clearing Services, shall be as mutually agreed by CME and CBOT promptly after the execution of this Agreement. If any disagreement arises, generally the principle that the receiving party specifies the format shall control.

Special CME Clearing Member Access to CME Clearing Systems. CME will permit Special CME Clearing Members to access CME's automated and online systems for all clearing and position management functionality for use in connection with positions in CBOT Products on substantially the same basis as CME permits such access with respect to positions in its own products (unless unique characteristics of a particular CBOT Product preclude use of such functionality).

Services Complete. Except as otherwise specified in this Agreement, in the CME Rules or the Operational Policies and Procedures, the services set forth above are the complete clearing services that CME will provide to CBOT pursuant to this Agreement. Without limiting the generality of the foregoing, CBOT understands that CME will not provide additional services relating to market regulation, generating statistical information, managing time and sales information, managing membership requirements, or daily bulletin processing.

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.

Schedule B

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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.

Schedule C
Project Development Plan

Outlined below are the terms to which the Parties have agreed concerning the development of and compliance with a detailed project plan for implementing the arrangements described in this Agreement.

Terms Relating to Plan

A. *Development of the Plan.* Immediately following the Effective Date of this Agreement and on an ongoing basis throughout the development period prior to the Launch Date, the Parties will use their best efforts to update the project development plan (the "Plan", as updated from time to time during the development period). The Plan shall identify, with reasonable detail, (i) all material information that must be exchanged between the Parties, (ii) any outstanding matters that must be agreed to between the Parties or decisions that must be reached by one Party, (iii) all material tasks that must be completed by either Party, and (iv) the timeline upon which such tasks must be completed in order to meet the Launch Date. The Parties shall also use their best efforts to jointly develop and incorporate within the Plan an (i) outline and timeline for completing legal documentation, including necessary regulatory filings and any documentation that must be executed by Special CME Clearing Members or other entities, and (ii) and outline and timeline for other communications with Special CME Clearing Members, ISVs, market data vendors, back-office service bureaus and any other entity with which information must be shared in order to effectuate a successful launch of Clearing Services.

B. *Mutual Best Efforts to Participate and Adhere to Plan.* Each of the Parties shall use its best efforts to participate fully in the planning process and to complete its required tasks in accordance with the timeline identified in the Plan. CME understands and agrees that it has primary responsibility for completing the development work necessary to implement Clearing Services as described in Schedule A. CBOT understands and agrees that it also will have development work to complete in order to effectively implement Clearing Services, including without limitation any development work necessary to provide to CME the information and reports specified to be provided by CBOT in Schedule A. Both Parties understand and agree that their full participation will be required for multiple phases of systems testing, including a comprehensive end-to-end testing phase of the fully integrated systems, which testing may require overtime, weekend and holiday work.

C. *Failure to Adhere to Plan.* A failure to meet a particular internal deadline set forth in the Plan by either Party shall not be deemed a Material Breach of this Agreement. However, if either Party concludes that a serious failure or multiple failures to conform to the tasks and timelines set forth in the Plan jeopardizes the Parties' ability to meet the Launch Date, the concerned Party shall so notify the relevant management personnel of the other Party (including the individuals identified in Section 19.5) in writing, which may be by e-mail, and the Parties shall use reasonable efforts to resolve the matter and adjust the Plan to the concerned Party's satisfaction. If such efforts are not successful, the concerned Party may, not sooner than ten (10) business days after delivering the notice, submit the matter to arbitration. If the arbitrator concludes that one of the Parties is primarily and substantially at fault for the failure and that the failure does jeopardize the Launch Date, the other Party shall have the option to terminate this Agreement for an Unexcused Breach under Section 10.1, without application of any notice and cure period.

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.

Project Review Teams

Immediately following the Effective Date, each Party will identify individuals to participate in the following review teams, each of which will review matters assigned to it and develop any related elements of the Plan. Where a team is assigned to identify interface requirements or other technical requirements, the team shall produce at least a high-level functional specifications document. The Parties agree that the project review teams shall complete the process of fully defining requirements for each aspect of the project described below by May 16, 2003, meaning that the teams will have decided how to resolve any open issues and have documented and circulated their assigned elements of the Plan, including any functional specifications documents.

A. *Product Review Team.* Matters to review:

Review contract specifications in detail

Identify specifications not currently supported by CME

Document variable cabinet pricing requirements

Review product and price file layouts

Identify product and price interface requirements

Review market related layouts

Map MD layouts

Identify MD interface requirements

B. *Deliveries Review Team.* Matters to review:

Review delivery requirements

Determine information that must be shared to complete automated deliveries processes development work

Review deliveries file layouts

Identify deliveries interface requirements

C. *Regulatory Review Team.* Matters to review:

Review regulatory file layouts

Identify regulatory interface requirements

D. *Membership Review Team.* Matters to review:

Review membership file layouts

Identify membership interface requirements

E. *Trade Review Team.* Matters to review:

Review trade related file layouts

Map trade layouts

Identify trade interface requirements

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Exhibit 10.4

AGREEMENT

THIS AGREEMENT, made and entered into this 10th day of July 2003, by and between CHICAGO MERCANTILE EXCHANGE INC. ("Employer" or "CME"), a Delaware Business Corporation, having its principal place of business at 30 South Wacker Drive, Chicago, Illinois, and David Gomach ("Employee").

R E C I T A L S:

WHEREAS, Employer wishes to retain the services of Employee in the capacity of Managing Director, Chief Financial 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 Managing Director, Chief Financial Officer, and Employee hereby accepts such employment. Employee shall report to the Employer's Chief Executive Officer. The duties of Employee shall include, but not be limited to, the performance of all duties associated with executive oversight and management of the Employer's Finance Division. 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.

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 Employer's Board of Directors ("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 January 1, 2003, 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.* Beginning February 23, 2003 and during the remainder of the Agreement Term, the Employer shall pay to Employee a base salary at a rate of not less than $250,000.00 per annum ("Base Salary"), payable in accordance with the Employer's normal payment schedule.

(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.

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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, 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;

(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;

(5) any violation of any rule, regulation or guideline imposed by CME or a regulatory or self regulatory body having jurisdiction over Employer, as determined after investigation by the Board.

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, Employee 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 is required to disclose Confidential Information to any regulatory agency or as otherwise required by law; provided, however, that 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.

(c) If, at any time of enforcement of this Section 7, a court holds that the restrictions stated herein are unreasonable, the parties hereto agree that a 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.

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

(a) *General.* Employee acknowledges that Employer invests in recruiting and training, and shares Confidential Information with, its 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. Such injunctive relief shall not be Employer's sole remedy. Employee agrees to reimburse CME for all costs and expenses, including reasonable attorney's fees and costs, incurred by CME in connection with the successful 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.

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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 following:

(a) Arbitration hearings will be conducted by the American Arbitration Association (AAA). Except as modified herein, arbitration hearings will be conducted in accordance with AAA's rules.

(b) State and federal laws contain statues of limitation which prescribe the time frames within which parties must file a law suit to have their disputes resolved through the court system. These same statutes of limitation will apply in determining the time frame during which the parties must file a request for arbitration.

(c) If Employee seeks arbitration, Employee shall submit a filing fee to the AAA in an amount equal to the lesser of the filing fee charged in the state or federal court in Chicago, Illinois. The AAA will bill Employer for the balance of the filing and arbitrator's fees.

(d) The arbitrator shall have the same authority to award (and shall be limited to awarding) any remedy or relief that a court of competent jurisdiction could award, including compensatory damages, attorney fees, punitive damages and reinstatement. Employer and Employee may be represented by legal counsel or any other individual at their own expense during an arbitration hearing.

(e) Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(f) 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:

James McNulty
President and Chief Executive Officer
Chicago Mercantile Exchange
30 S. Wacker
Chicago, IL 60606
(312) 930-3100

If to Employee, to:

David Gomach
600 East Carrington Lane
Appleton, WI 54913

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. Employee acknowledges that each of the parties has participated in the preparation of this Agreement and for purposes of principles of law governing the construction of the terms of this Agreement, no party shall be deemed to be the drafter of the same.

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.

Chicago Mercantile Exchange Inc.	**David Gomach**
By: /s/ JAMES J. MCNULTY	/s/ DAVID GOMACH
Date:	Date:

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EXHIBIT 31.1

SECTION 302 CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Chicago Mercantile Exchange Holdings Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 11, 2003

/s/ JAMES J. McNULTY

Name: James J. McNulty
Title: President & Chief Executive Officer

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EXHIBIT 31.1

SECTION 302 CERTIFICATION

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EXHIBIT 31.2

SECTION 302 CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Chicago Mercantile Exchange Holdings Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 11, 2003

/s/ DAVID G. GOMACH

Name: David G. Gomach
Title: Managing Director & Chief Financial Officer

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EXHIBIT 31.2

SECTION 302 CERTIFICATION

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EXHIBIT 32

SECTION 906 CERTIFICATION

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 Quarterly Report on Form 10-Q of Chicago Mercantile Exchange Holdings Inc. (the "Company") for the quarter ended June 30, 2003 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: August 11, 2003

/s/ DAVID G. GOMACH

Name: David G. Gomach
Title: Chief Financial Officer
Date: August 11, 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.

A signed original of this written statement required by § 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or is staff upon request.

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