SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2005

OR

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

Commission File Number 000-33379

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

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained herein, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2005, was approximately $10.1 billion (based on the closing price per share of Chicago Mercantile Exchange Holdings Inc. Class A common stock on the New York Stock Exchange on such date). The number of shares outstanding of each of the registrant's classes of common stock as of February 17, 2006 was as follows: 34,595,042 shares of Class A common stock, $0.01 par value; 625 shares of Class B common stock, Class B-1, $0.01 par value; 813 shares of Class B common stock, Class B-2, $0.01 par value; 1,287 shares of Class B common stock, Class B-3, $0.01 par value; and 413 shares of Class B common stock, Class B-4, $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of the Company's Annual Report to Shareholders for the year ended December 31, 2005	Part II
Portions of the Company's Proxy Statement for the 2006 Annual Meeting of Shareholders	Parts II and III

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.
ANNUAL REPORT ON FORM 10-K
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PART I

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

TRAKRS, Total Return Asset Contracts, are exchange-traded, non-traditional futures contracts designed to provide market exposure to various market-based indexes which trade electronically on the CME Globex electronic platform. Clearing and transaction fees on these products are minimal relative to other CME products. Unless otherwise noted, disclosures of trading volume and average rate per contract exclude our TRAKRS products.

CME Economic Derivatives are options and forwards geared to seven key U.S. and European economic indicators that trade in an auction format. Clearing and transaction fees on these products are based on notional values rather than volume and are minimal relative to other CME products. Unless otherwise noted, disclosures of trading volume and average rate per contract exclude these products.

From time to time, in written reports and oral statements, we discuss our expectations regarding future performance. For example, these "forward-looking statements" are included in this Annual Report on Form 10-K in "Item 1A. Risk Factors" and in Exhibit 13.1, among other places. Forward-looking statements are based on currently available competitive, financial and economic data, current expectations, estimates, forecasts and projections about the industries in which we operate and management's beliefs and assumptions. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any forward-looking statements. We want to caution you not to place undue reliance on any forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that might affect our performance are:

- increasing competition by foreign and domestic competitors, including new entrants into our markets;
- our ability to keep pace with rapid technological developments, including our ability to complete the development and implementation of the enhanced functionality required by our customers;
- our ability to continue introducing competitive new products and services on a timely, cost-effective basis, including through our electronic trading capabilities, and our ability to maintain the competitiveness of our existing products and services;
- our ability to adjust our fixed costs and expenses if our revenues decline;
- our ability to continue to realize the benefits of our transaction processing agreement with the Chicago Board of Trade;
- our ability to maintain existing customers and attract new ones;
- our ability to expand and offer our products in foreign jurisdictions;
- changes in domestic and foreign regulations;
- changes in government policy, including policies relating to common or directed clearing;
- the costs associated with protecting our intellectual property rights and our ability to operate our business without violating the intellectual property rights of others;
- our ability to generate revenue from our market data that may be reduced or eliminated by the growth of electronic trading;
- changes in our rate per contract due to shifts in the mix of the products traded, the trading venue and the mix of customers (whether the customer receives member or non-member fees or participates in one of our various incentive programs) and the impact of our tiered pricing structure;
- the ability of our financial safeguards package to adequately protect us from the credit risks of our clearing members;

- changes in price levels and volatility in the derivatives markets and in underlying fixed income, equity, foreign exchange and commodities markets;
- economic, political and market conditions;
- our ability to accommodate increases in trading volume without failure or degradation of performance of our systems;
- our ability to execute our growth strategy and maintain our growth effectively;
- our ability to manage the risks and control the costs associated with our acquisition, investment and alliance strategy;
- industry and customer consolidation;
- decreases in trading and clearing activity;
- the imposition of a transaction tax on futures and options on futures transactions; and
- seasonality of the futures business.

For a detailed discussion of these and other factors that might affect our performance, see the section of this Annual Report on Form 10-K entitled “Item 1A. Risk Factors.”

Chicago Mercantile Exchange, our globe logo, CME®, CME Alternative Marketplace™, CME Auction Markets ™, CME Economic Derivatives ™, CME® Globex®, International Monetary Market®, IEF®, IMM®, IOM®, Growth and Emerging Markets®, GEM®, SPAN® and Globex Trader® are our registered trademarks. CME E-mini ™ is our service mark. CLEARING 21® and
e-miNY℠ are trademarks of CME and New York Mercantile Exchange, Inc., or NYMEX.

NASDAQ-100®, NASDAQ Biotechnology Index®, NASDAQ Composite®, NASDAQ Composite Index®, Nikkei ™, Nikkei 225 ™, Russell 1000®, Russell 2000®, “Standard & Poor’s®”, “S&P 500®”, “S&P®”, “S&P MidCap 400®”, “S&P Asia 50®”, TRAKRS®, MSCI® and EAFE® and other trade names, service marks, trademarks and registered trademarks are the property of their respective owners and are used herein under license.

ITEM 1. BUSINESS

General

We are the largest futures exchange in the United States for the trading of futures contracts and options on futures contracts, often called derivatives, as measured by 2005 annual trading volume. For the first time ever, the yearly trading volume of our products surpassed one billion contracts. We posted record trading volume of 1.0 billion contracts in 2005, an increase of 33% over 2004, which was previously our busiest year. In 2005, our customers, who include our members, traded futures contracts and options on futures contracts with an underlying value of $638 trillion, making us the world’s largest exchange by this measure. We also have the largest futures and options on futures open interest of any futures exchange in the world. As of December 31, 2005, our open interest record was 39.3 million contracts set on December 15, 2005. Open interest is the number of outstanding contracts at the close of the trading day at the exchange and is a leading indicator of liquidity. Liquidity of markets, or the ability of a market to quickly and efficiently absorb the execution of large purchases or sales, is a key to attracting customers and contributing to a market’s success.

Futures and options on futures provide a way to protect against – and potentially profit from – price changes in financial instruments and physical commodities. Futures contracts are legally binding agreements to buy or sell something in the future, such as livestock or foreign currency. The buyer and seller of a futures contract agree on a price today for a product to be delivered and paid for in the future. Each contract specifies the quantity of the item and the time of delivery or payment.

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

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

We own our clearing house, which is the largest derivatives clearing operation in the world for futures and options on futures, and we clear, settle and guarantee every contract traded through our exchange. As a result of our agreement to provide clearing and related services to the Chicago Board of Trade, or the CBOT, we now clear approximately 90% of all futures contracts and options on futures contracts in the United States. Our systems are scalable and give us the ability to increase our capacity with little lead time. Our goal is to design our systems to handle at least one and half times our historical peak transactions. On August 31, 2005, we processed a record of approximately 2.4 million transactions. As of December 31, 2005, we acted as custodian for approximately $45.8 billion in performance bond collateral, including approximately $3.2 billion in deposits for non-CME products. In 2005, we moved an average of $1.7 billion of settlement funds through our clearing system each day. In addition, 52 exchanges and clearing organizations worldwide have adopted our SPAN risk evaluation system, which is used to determine the appropriate performance bond requirements for trading portfolios.

CME was founded in 1898 as a not-for-profit corporation. In November 2000, we demutualized and became a shareholder-owned corporation. As a consequence, we adopted a for-profit approach to our business, including strategic initiatives aimed at optimizing volume, efficiency and liquidity. In December 2002, CME Holdings completed its initial public offering of its Class A common stock and became the first U.S. financial exchange to be publicly traded.

We have a history of innovation in our industry. In the 1960s, we introduced the first livestock futures contract that resulted in the physical delivery of live cattle. In 1972, we introduced the world's first financial futures contracts when we launched seven foreign exchange futures contracts. That innovation fundamentally changed the nature and scope of futures markets, transforming them from agricultural hedging mechanisms to hedging and risk management markets for financial instruments and financial risks. We also developed the first cash-settled futures in 1981 with the introduction of CME Eurodollar futures, which is one of the world's most actively traded futures contracts. Cash settlement also enabled us to introduce in 1982 the first successful stock index futures contract, the S&P 500. In 1987, we pioneered the concept of global electronic trading of derivatives contracts, and we subsequently launched the CME Globex electronic trading platform in 1992. Today, most of our products trade electronically, as well as on our open outcry trading floors. In 1997, we introduced the first of the CME E-mini stock index products, which are smaller-sized electronically traded versions of our benchmark stock index futures contracts. In April 2003, we entered into an agreement with the CBOT to provide clearing and related services for CBOT futures contracts and options on futures contracts.

We offer an innovative and diverse product line. For example, in 2005, we expanded our product offerings to include: options on our E-mini Russell 2000 futures contracts; cash-settled butter futures, our first electronically traded, cash-settled dairy futures contract; ethanol futures, our first electronic energy contract; and CME Economic Derivatives, which are products based on economic data that trade in CME Auction Markets. In 2006, we also announced plans to launch futures on the S&P Asia 50 Index, the only pan-Asian equity index; E-mini futures on the MSCI EAFE Index, the preeminent benchmark for measuring international stock market performance; and futures based on ten of the Case Shiller Indexes, representing movements in housing price values.

Trading on our open outcry trading floors is conducted exclusively by our members. Our members are individual traders, as well as most of the world's largest banks, brokerages and investment houses. Prior to the introduction of our electronic trading platform, our members traded only on our open outcry trading floors and through privately negotiated transactions. Today, our members are able to conduct trading on our open outcry trading floors, electronically on the CME Globex platform and through privately negotiated transactions that we clear. In 2005, our members were responsible for nearly 79% of our total trading volume.

Prior to our demutualization, direct access to our markets, whether on our open outcry trading floors or through the CME Globex platform, was limited to members and those with an exchange permit who met specified qualifications. In connection with our demutualization, we opened access to our markets by allowing unlimited, direct access to the CME Globex platform for all market participants. Today, any individual or institutional customer guaranteed by a clearing firm is able to obtain direct access to the CME Globex platform. As a result of the increased access to our markets, all market participants now have the ability to view bids and offers in the market. Generally, member customers are charged lower fees than our non-member customers. Certain of our customers benefit from volume discounts and limits on fees as part of our effort to encourage increased liquidity in our markets. In 2005, volume on the CME Globex electronic trading platform represented 70% of our trading volume compared with 57% in 2004.

Our principal executive offices are located at 20 South Wacker Drive, Chicago, Illinois 60606, and our telephone number is 312-930-1000.

Competitive Strengths

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

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

Highly Liquid Markets. The liquidity in our markets is a key factor in attracting and retaining customers. We have the largest open interest of any futures exchange in the world. As of December 31, 2005, our open interest record was 39.3 million contracts set on December 15, 2005. During 2005, we posted record trading volume of 1.0 billion contracts, an increase of 33% over 2004, making us the largest exchange in the United States and the second largest in the world for the trading of futures contracts and options on futures contracts during that period.

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

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

Wholly Owned Clearing House. We own our clearing house, which clears, settles and guarantees every contract traded through our exchange, and futures and options on futures contracts traded through the CBOT. Our scalable systems give us the ability to further increase our capacity with little lead time. Our goal is to design our systems to handle at least one and half times our historical peak transactions. On August 31, 2005, we processed a record of approximately 2.4 million transactions. In January 2004, we fully implemented our agreement with the CBOT to provide clearing and related services for CBOT futures contracts and options on futures contracts. In 2005, our clearing house cleared an average of 7.0 million contracts daily and 1.8 billion contracts overall. As of December 31, 2005, we acted as custodian for approximately $45.8 billion in performance bond collateral, including approximately $3.2 billion in deposits for non-CME products, and, in 2005, moved an average of $1.7 billion of settlement funds through our clearing system each day. We believe our performance guarantee is a major attraction to our markets, particularly compared to the over-the-counter, or OTC, markets, because it substantially reduces counterparty risk. Our clearing system permits more efficient use of capital for our customers by allowing netting of long and short positions in a single type of contract and providing risk offset and cross-margining arrangements with several other leading clearing houses. In addition, ownership of our clearing house enables us to more quickly and efficiently bring new products to market through coordination of our clearing functions with our product development, technology, market regulation and other risk management activities. Our goal is to design our system to service historical peak volumes, provide clearing services to the CBOT and other exchanges and clear new products with high volume potential.

Proven and Scalable Technology. We believe our ability to use technology effectively has been a key factor in the successful development of our business. As a result of significant investments in our technology asset base, we possess fast, reliable and fully integrated trading and clearing systems. Our goal is to design our highly scalable systems to accommodate additional products with relatively limited modifications and low incremental costs. The core components of our system infrastructure for trading, clearing and risk management are becoming widely adopted throughout the futures industry, resulting in common interfaces and efficiencies for intermediaries and customers. For example, our CME SPAN risk evaluation system has been adopted by 52 exchanges and clearing organizations worldwide.

Global Reach. Globalization of financial markets is expanding the customer base for futures products beyond traditional boundaries. Our electronic trading services, which are available nearly 24 hours a day and five days per week, position us to take advantage of this development. In addition, in 2005, we expanded our telecommunications capacity with the addition of a hub in Singapore similar to our other seven hubs previously established in Europe. These hubs reduce connectivity costs and house direct electronic connections between the foreign customer and CME Globex, our electronic trading platform. We also introduced incentive programs for certain types of customers in Europe, Asia and other emerging regions such as India, South Africa, Poland, Russia and Israel. These programs have fueled our global expansion by attracting new customers to our products and markets worldwide. We now have direct customer access to our exchange in over 70 countries.

Growth Strategy

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

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

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

- *Expand Customer Access.* We continue to expand our customer base and increase our trading volume by broadening the access, order routing, trading and clearing solutions we offer to existing and prospective customers. We were the first U.S. exchange to allow all customers to view the book of prices, where they can see at least the five best bids and offers in the central limit order book and directly execute transactions in our electronically traded products. This expanded access further increases the transparency of our markets by giving our customers valuable trading information. We provide our customers with flexibility to access our markets in the most cost-effective manner for them. For example, with the addition of our newest telecommunications hub in Singapore, we now have eight hubs that improve access and reduce connectivity costs for our current and potential international customers. We also provide front-end trading terminal software solutions for a fee, including a cost-efficient, Web-based virtual private network solution for our lower volume customers, which we call CME Globex Trader. We are also seeking to increase the number of independent software vendors that offer interfaces to our systems. Increasing the number of these vendor relationships will enable us to access a broader network of customers. We also plan to expand our reach by attracting new distribution channel partners with the capacity to reach large numbers of non-traditional futures customers.
- *Expand Electronic and Other Trading Venues.* Our strategy is to offer our customers a broad range of trade execution choices, including increased electronic functionality, enhanced facilities for privately negotiated transactions and an open outcry environment. We believe offering multiple execution alternatives enables us to attract new customers and increase our overall volume. We offer daytime electronic trading in most of our major product lines. We traded 730 million contracts electronically on our CME Globex platform in 2005, an increase of 62% over the total electronic trading volume in 2004 of 452 million contracts. In 2005, we integrated our enhanced options system for trading CME Eurodollar options into our CME Globex electronic trading platform. This enhanced functionality is designed to facilitate trading of complex combination and spread trades typically used with short-term interest rate options on futures, within a fully transparent and competitive execution environment. We plan to increase this functionality to include trading

of other options contracts. In 2005, we also added mass quoting functionality and new market maker programs to increase the liquidity of our options market. In 2005, electronic trading in our options contracts increased to 11.7 million contracts from 2.6 million in 2004.

- *Enhance Our Market Data and Information Products*. Our markets generate valuable information regarding prices and trading activity in our products. We intend to leverage the value of our market data and information capabilities by developing enhancements to our existing information products and creating new products. Revenues from the sale of our market data were $71.7 million and $60.9 million during 2005 and 2004, respectively. We sell our market data, which includes information about bids, offers and trade size, to resellers of our data, as well as banks, broker-dealers, pension funds, investment companies, mutual funds, insurance companies, other financial services companies and individual investors.

Add New Products. We develop new products and product line extensions based on research and development in collaboration with our customers. In 2005, we launched Eurozone HICP futures, European style options on CME Euro FX futures and CME Japanese yen futures, options on our CME E-mini Russell 2000 futures and futures on three of the largest and most actively traded exchange funds in the United States. We also added electronic versions of yen- and dollar-denominated Nikkei products.

Provide Processing Services and Other Business Services to Third Parties. We intend to leverage our existing capacity, scalable technology and business processes to provide a broad range of services to other exchanges, clearing organizations and OTC markets. We intend to offer services, including clearing and settlement processing and risk management, market structuring, product structuring and trade execution platforms. We believe we can differentiate ourselves from our competitors by offering some or all of these services on a cost-effective basis in combination with the potential to access our broad distribution, customer base and experienced liquidity providers. Users of our clearing services also have the potential to gain substantial capital and collateral efficiencies for their clearing firms. In January 2004, we fully implemented our agreement with the CBOT to provide clearing and related services for CBOT futures and options on futures contracts. The arrangement provides clearing firms and customers with the potential to gain operational, performance bond and capital efficiencies, as well as a combined risk capital pool and other expected cost savings. As a result of our agreement with the CBOT, our clearing house is the largest derivatives clearing operation for futures and options on futures in the world and we now clear approximately 90% of all futures contracts and options on futures contracts traded in the United States. In 2005, we cleared 675 million contracts for the CBOT. Open interest for CBOT contracts was 10.3 million contracts as of December 31, 2005.

Pursue Select Alliances and Acquisitions. We plan to supplement our internal growth through the formation of joint ventures or alliances and select acquisitions of businesses or technologies. We will seek alliances and acquisitions that help us to enter new markets, provide services that we currently do not offer, open access to our markets or advance our technology. For example, in 2005, we partnered with Goldman Sachs to launch CME Economic Derivatives. CME Economic Derivatives are options and forwards geared to seven key U.S. and European economic indicators that allow market participants to either hedge or take market risk directly associated with the release of economic indicators, including U.S. initial jobless claims. These products currently trade in CME Auction Markets. We plan to make them available on our CME Globex platform in 2006.

Products

Our broad range of products includes futures contracts and options on futures contracts based on interest rates, equities, foreign exchange, commodities and alternative investments. Our products are traded through our open outcry auction markets, through the CME Globex electronic trading platform or in privately negotiated transactions that we clear. For the year ended December 31, 2005, we derived $696.2 million, or 76% of our net revenues, from fees associated with trading and clearing our products. These fees include per contract charges for trade execution, clearing and CME Globex fees. Fees are charged at various rates based on the product traded, the method of trade and the exchange trading privileges of the customer making the trade. Generally, members are charged lower fees than non-members. Certain of our customers benefit from volume discounts and limits on fees as part of our effort to encourage increased liquidity in our markets. Our markets also generate valuable data and information regarding pricing and trading activity in our products. We identify new products by monitoring economic trends and their impact on the risk management and speculative needs of our existing and prospective customers.

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The following table shows the average daily volume of contracts traded in our four principal product lines for the years ended December 31, 2005, 2004 and 2003.

CME Product Line	Principal Underlying Instruments	Average Daily Contract Volume Per Product Line 2005	2004 (in thousands)	2003
Interest Rates	Eurodollar, LIBOR, Euroyen	2,380	1,705	1,234
Equities	S&P 500, NASDAQ-100, S&P MidCap 400, Nikkei 225, Russell 1000 and Russell 2000 indexes	1,394	1,164	1,057
Foreign Exchange	Euro, Japanese yen, British pound, Swiss franc, Canadian dollar	334	202	135
Commodities	Cattle, hogs, pork bellies, lumber, dairy	50	40	35

Interest Rate Products. CME interest rate products enable banks and other financial institutions worldwide to hedge interest rate risks, and in turn help to reduce the overall cost of borrowing and financing. Our interest rate products include our global benchmark CME Eurodollar futures contract. Eurodollars are U.S. dollar bank deposits outside the United States. Eurodollar futures contracts are short-term interest rate products and constitute one of the most successful products in our industry and one of the most actively traded interest rate futures contracts in the world. Open interest in CME Eurodollar futures contracts and options on futures contracts traded on our exchange was 25 million contracts as of December 31, 2005, representing a notional value of $25 trillion. We also trade contracts based on other short-term interest rates, such as one-month LIBOR, which stands for the London Interbank Offered Rate, and Euroyen. Interest rate products represented 57% of our trading volume during 2005, an average of 2.4 million contracts per day.

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

We continue to develop and implement new electronic functionality to accommodate trading strategies required for electronic trading of Eurodollar contracts. In 2005, we integrated our enhanced options system for trading CME Eurodollar options into our CME Globex electronic trading platform. This enhanced functionality is designed to facilitate trading of complex combination and spread trades typically used with short-term interest rate options on futures, within a fully transparent and competitive execution environment. In 2005, average daily volume of CME Eurodollars traded electronically increased to 1.3 million contracts from 593,000 in 2004. On September 22, 2005, we had record electronic trading in CME Eurodollar options with over 148,000 contracts trading on CME Globex. We intend to continue to introduce functionality that will accommodate other complex trading strategies electronically.

We intend to increase our revenues from our interest rate product line by optimizing pricing of existing products, introducing new products to increase our trading volume and enhancing the functionality of our CME Globex electronic platform to increase the electronic trading volume of our options on futures contracts. We have been active in adopting new policies and practices that are closely aligned with customer demand and designed to promote enhanced market penetration.

Equity Products. Our equity products permit investors to obtain exposure, for hedging or speculative purposes, to a change in the weighting of one or more equity market sectors more efficiently than by buying or selling the underlying securities. By allowing investors to effectively manage stock market risks, CME equity products increase investor confidence and overall participation in these important markets. We offer trading in futures contracts based upon the S&P 500 Index, NASDAQ-100 Index, certain Russell indexes and other small-, medium- and large-capitalization domestic indexes and indexes on foreign equity markets. Based on currently available data from the Futures Industry Association, our market share in all U.S. listed equity futures was approximately 92%, based on the number of contracts traded. Our total trading volume for equity products rose 19% in 2005, to 351 million contracts, from 294 million contracts in 2004. Trading in these products represented 34% of our total trading volume during 2005, an average of nearly 1.4 million contracts per day.

We have a license agreement with Standard & Poor's Corporation to use certain S&P stock indexes and the related intellectual property. The license is exclusive through December 31, 2016 and non-exclusive through December 31, 2017 with some exceptions. We also have a license agreement with The Nasdaq Stock Market, Inc., or NASDAQ, that allows us to offer futures and options on futures contracts based on the NASDAQ-100 and the NASDAQ Composite indexes exclusively until October 2012 and based on the NASDAQ Biotechnology index provided certain performance criteria are met. For a more detailed discussion of these license agreements, see the section of this Annual Report on Form 10-K entitled "Item 1. Business—Licensing Agreements." In 2005, 89% of our equity products trading volume was based on the S&P 500 Index and the NASDAQ-100 Index.

In addition to contracts based on the S&P 500 and NASDAQ-100 indexes, we also offer equity futures and options on futures contracts based on other equity indexes, including the Russell 1000 and Russell 2000. We also offer eight TRAKRS contracts. TRAKRS are a series of non-traditional futures contracts developed with Merrill Lynch & Co., Inc. and licensed exclusively to us for North America, and are the first broad-based index products traded on a U.S. futures exchange that can be sold by securities brokers. TRAKRS are designed to enable customers to track an index of stocks, bonds, currencies or other financial instruments.

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

We also offer E-mini contracts, which trade exclusively on our electronic CME Globex platform and are one-fifth the size of their standard counterparts. These products are designed to address the growing demand for equity derivatives and electronically traded products from individual traders and small institutions. Trading volumes in these products have grown rapidly, achieving new volume and open interest records during 2005 and 2004. This growth is attributable to the benefits of equity futures and electronic market access. In 2005, we offered eight E-mini futures and options on futures contracts, including our most active E-mini S&P 500 and E-mini NASDAQ-100 futures contracts. In 2006, we launched our E-mini S&P Asia 50 futures contract and plan to launch E-mini MSCI EAFE futures contracts in the first quarter of 2006.

We believe our leading market position in equity index products is a result of the liquidity of our markets, the status of the S&P 500 and the NASDAQ-100 indexes as two of the principal U.S. financial standards for benchmarking stock market returns, and the appeal to investors and traders of our E-mini products and our CME Globex platform. We believe future growth in our equity products will come from the introduction of electronically traded options on our existing equity index products, including our E-minis, expanding customer access to our electronic markets, enhancing the functionality of our CME Globex electronic platform to increase the electronic trading volume of our options on futures contracts as well as further educating the marketplace on the benefits of these products.

Foreign Exchange Products. We became the first exchange to introduce financial futures when we launched foreign exchange futures in 1972. Providing large and small companies with a tool to hedge foreign currency risk helps facilitate cross-border trade and commerce and reduces risk to profitability. Institutions such as banks, hedge funds, commodity trading advisors, corporations and individuals use these products to manage their risks associated with, or speculate on, fluctuations in foreign exchange rates. Our foreign exchange products include futures based on the euro, Japanese yen, British pound, Swiss franc, Canadian dollar, Mexican peso, Australian dollar, Brazilian real, New Zealand dollar and South African rand, and represented nearly 8% of our trading volume in 2005, an average of 334,000 contracts per day.

Our total foreign exchange trading volume increased 65% during 2005 from 2004. We have increased the volume of this product line by expanding the distribution of our foreign exchange products matched through the CME Globex platform and by establishing incentive programs to increase volume and liquidity. In 2005, electronically traded foreign exchange futures volume increased 100% over 2004, from 34.0 million contracts to 68.1 million contracts. Open outcry trading decreased 20%, from 9.9 million contracts in 2004 to 7.9 million contracts in 2005.

We expect the growth in our foreign exchange product line to continue to come from increased electronic trading on our CME Globex platform which provides a transparent central limit order book, speed, anonymity and central party clearing benefits. We also expect increased trading from customers outside of the United States, including increased trading through our telecommunications hubs.

Commodity Products. CME commodity products help establish benchmark prices and play an important role in risk management for the agricultural community. These products provide hedging tools for our customers who deal in tangible physical commodities, including agricultural producers of commodities and food processors. Commodity products were our only products when our exchange first opened for business. We have maintained a strong franchise in our commodity products, including futures contracts based on cattle, hogs, pork bellies, lumber and dairy products. Commodity products accounted for 1% of our trading volume during 2005, an average of more than 49,600 contracts per day and an increase of 23% from 2004. On January 11, 2006, we had our highest volume day ever with 140,000 contracts traded. Our commodity products are traded through our open outcry and electronic trading execution facilities and through privately negotiated transactions.

We continue to execute our strategy of growing our customer base and providing side-by-side access to our commodity markets. We believe the changing perception of commodities as an asset class provides an opportunity for growth in our markets.

Market Data and Information Products. Our markets generate valuable information regarding prices and trading activity in our products. The market data we supply is central to trading activity in our products and to trading activity in related cash and derivatives markets. We sell our market data, which includes information about bids, offers, trades and trade size, to banks, broker-dealers, pension funds, investment companies, mutual funds, insurance companies, individual investors and other financial services companies or organizations that use our markets or monitor general economic conditions. We distribute our market data directly to our electronic trading customers as part of their access to our markets through our electronic facilities. We also distribute market data via dedicated networks to approximately 262 worldwide quote vendors who consolidate our market data with that from other exchanges, other third party data providers and news services, and then resell their consolidated data. As of December 31, 2005, we displayed our data on approximately 179,000 devices. Revenues from market data products totaled $71.7 million, or 8% of our net revenues, in 2005.

We continue to enhance our current market data and information product offerings by packaging the basic data we have traditionally offered with advanced analytical data and information. We have created marketing programs to increase the use of our market data.

Execution

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

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

Open Outcry Trading. Open outcry trading represented 29% of our total trading volume in 2005. The trading floors are the centralized meeting place for floor traders and floor brokers representing customer orders to trade contracts. The trading floors, covering approximately 70,000 square feet, have tiered booths surrounding the pits from which clearing firm personnel can communicate with customers regarding current market activity and prices and receive orders either electronically or by telephone. In addition, our trading floors display current market information and news on electronic wallboards hung above the pits. During 2005, approximately 21% of our clearing and transaction fees revenue was derived from open outcry trading.

CME Globex Electronic Trading Platform. The CME Globex electronic trading platform maintains an electronic, centralized order book and trade execution algorithm for futures contracts and options on futures contracts and allows users to enter orders directly into the order book. Initially, our electronic trading platform was used to offer our products to customers after the close of our regular daytime trading sessions. Today, however, we trade some of our most successful products on the CME Globex platform nearly 24 hours a day, five days a week. In 2005, 70% of our trading volume was executed using CME Globex, compared with 57% in 2004. Electronic trading volume has increased from 35 million contracts in 2000 to 730 million contracts in 2005. During 2005, approximately 73% of our clearing and transaction fees revenue was derived from electronic trading. On September 1, 2005, CME Globex volume set a new single-day record of 6.9 million contracts traded.

Privately Negotiated Transactions. In addition to offering traditional open outcry and electronic trading through the CME Globex platform, we permit qualified customers to trade our products by entering into privately negotiated transactions, which are reported and included in the market data we distribute. We also clear, settle and guarantee these transactions through our clearing house. Some market participants value privately negotiated transactions as a way to ensure that large transactions can be completed at a single price or in a single transaction while preserving their ability to effectively complete a hedging, risk management or other trading strategy. During 2005, approximately 6% of our clearing and transaction fees revenue was derived from this type of trading.

Clearing

We operate our own clearing house that clears, settles and guarantees the performance of all transactions matched through our execution facilities and futures contracts and options on futures contracts traded through the CBOT. In 2005, our clearing house cleared an average of 7.0 million contracts daily and 1.8 billion contracts overall. Many derivatives exchanges do not provide clearing services for trades matched through their execution facilities, relying instead on outside clearing houses to provide these services. Ownership and control of our own clearing house enables us to capture the revenue associated with both the trading and clearing of our products. This is particularly important for trade execution alternatives such as privately negotiated block trades, where we can derive a higher clearing fee for each contract traded compared to other trades. By owning our clearing house, we also control the cost structure and the technology development cycle for our clearing services. It also helps us manage our new product initiatives without being dependent on an outside entity. We believe having an integrated clearing function provides significant competitive advantages. Additionally, owning our own clearing house allows us to generate additional revenue by providing clearing services to other exchanges, such as the CBOT.

On August 31, 2005, we processed a record of approximately 2.4 million transactions. We maintain the largest futures and options on futures open interest of any exchange in the world. As of December 31, 2005, our open interest stood at 30.1 million contracts and our open interest record was 39.3 million contracts set on December 15, 2005. As of December 31, 2005, we acted as custodian for approximately $45.8 billion in performance bond collateral deposited by our clearing firms and, during 2005, we moved an average of approximately $1.7 billion a day in settlement funds through our clearing system. In addition, our clearing house guarantees the performance of our contracts with a financial safeguards package of approximately $4.1 billion.

In January 2004, we fully implemented our arrangement with the CBOT for us to provide clearing and transaction processing services. In providing these services to the CBOT, our clearing house clears, settles and guarantees all CBOT transactions, using the full resources of our clearing processes and financial safeguards package. Open interest in CBOT products cleared by our clearing house on December 31, 2005 was 10.3 million contracts.

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

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

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

Cross-Margining and Mutual Offset Services. We have led the derivatives industry in establishing cross-margining agreements with other leading clearing houses. Cross-margining arrangements reduce capital costs for clearing firms and customers. These agreements permit an individual clearing house to recognize a clearing firm's open positions at other participating clearing houses, and clearing firms are able to offset risks of positions held at one clearing house against those held at other participating clearing houses. This arrangement reduces the need for collateral deposits by the clearing firm. For example, our cross-margining program with the Options Clearing Corporation reduced performance bond requirements for our members by approximately $1.3 billion a day in the fourth quarter of 2005. We have implemented cross-margining arrangements with NYMEX, the Fixed Income Clearing Corporation and LCH.Clearnet Group for positions at the London International Financial Futures and Options Exchange. In addition, our mutual offset agreement with the Singapore Derivatives Exchange, which has been in place since 1984, allows a clearing firm of either exchange initiating trades in certain products on either exchange to execute after-hours trades at the other exchange in those products and then transfer them back to the originating exchange. This mutual offset arrangement enables firms to seamlessly execute trades at either exchange virtually 24 hours per day.

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

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

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

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

In the unlikely event of a payment default by a clearing firm, we would first apply assets of the clearing firm to cover its payment obligation. These assets include security deposits, performance bonds and any other available assets, such as the proceeds from the sale of Class A and Class B common stock and trading rights of the clearing firm at our exchange owned by or assigned to the clearing firm. In addition, we would make a demand for payment pursuant to any applicable guarantee provided to the exchange by the parent of a clearing firm. Thereafter, if the payment default remains unsatisfied, we would use our surplus funds, security deposits of other clearing firms and funds collected through an assessment against all other solvent clearing firms to satisfy the deficit. We maintain a committed $750 million 364-day revolving line of credit with a consortium of banks. We have the option to increase the facility from $750 million to $1 billion. However, the banks do not have to comply with our request. This line of credit may also be utilized if there is a temporary disruption with the domestic payments system that would delay settlement payments between our clearing house and clearing firms. The credit agreement requires us to pledge clearing firm security deposits held by us in the form of U.S. Treasury or agency securities, as well as security deposit funds in our second Interest Earning Facility program, called IEF2, to the line of credit custodian prior to drawing on the line. Performance bond collateral of a defaulting clearing firm may also be used to secure a draw on the line.

The following shows the available assets of our clearing house at December 31, 2005 in the event of a payment default by a clearing firm:

CME Clearing House Available Assets
(in millions)

Aggregate Performance Bond Deposits by All Clearing Firms(1)	$45,786.5
Market Value of CME Pledged Shares/Trading Rights (minimum requirement per firm)(2)	$ 12.6
Market Value of CBOT Pledged Memberships (minimum requirement per firm)(3)	2.4
CME Surplus Funds(4)	139.9
Security Deposits of Clearing Firms(5)	1,045.0
Limited Assessment Powers(6)	2,873.8
Minimum Total Assets Available for Default(7)	$ 4,073.7

(1) Aggregate performance bond deposits by all clearing firms includes cash performance bond deposits of $60.7 million and the value assigned by our exchange for securities deposited to satisfy performance bond requirements. This assigned value for securities is generally less than the market value of the securities deposited.

(2) The market value of CME pledged shares/trading rights represents the minimum number of specified trading rights, shares of our Class B common stock associated with those trading rights and the 30,000 shares of our Class A common stock required to be pledged to our clearing house by a firm clearing only CME products as of December 31, 2005. Effective as of February 1, 2006, the exchange approved a reduction in the number of Class A shares required to be held by new clearing firms from 30,000 to 15,000. Existing clearing firms are given the option to gradually reduce their holdings in increments of 3,000 shares per month over the following five-month period, to the decreased requirement of 15,000 shares. The market value of the trading rights is based on the average of the bid and offer for the trading rights and associated Class B shares at December 30, 2005. The market value of the Class A shares is based on the closing price of $367.49 on the New York Stock Exchange on December 30, 2005.

(3) The market value of the CBOT pledged memberships represents our first priority lien on CBOT membership interests required to be pledged to our clearing house by a firm clearing only CBOT products. The market value is based on the average of the bid and offer for the CBOT membership interests at December 30, 2005.

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

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

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

(7) Represents the aggregate minimum resources available to satisfy any obligations not met by a defaulting firm able to clear both CME and CBOT products subsequent to the liquidation of the defaulting firm's performance bond collateral.

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

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

In order to administer its system of financial safeguards efficiently, our clearing house has developed banking relationships with a network of major U.S. banks and banking industry infrastructure providers, such as the Society for Worldwide Interbank Financial Telecommunications. Among the key services provided to our clearing house by these banks and service providers are a variety of custody, credit and payment services that support the substantial financial commitments and processes backing the guarantee of our clearing house to market participants.

Investment Services. In order to achieve collateral efficiencies for our clearing firms, we have established a number of collateral programs under the designation Interest Earning Facility, or IEF. Under this program, our clearing firms may select from four different IEF programs to meet their individual needs. The programs are designed to enable our clearing firms to make optimal use of the demand deposit cash accounts and security accounts they have established to satisfy our performance bond requirements. As of December 31, 2005, there was more than $19.6 billion in balances in these programs, compared with $19.1 billion at December 31, 2004. We earn fee income in return for providing these value-added services to our clearing firms. In December 2005, we discontinued our IEF1 program, which was the only IEF program with a guaranteed investment principal and accrued interest.

Our clearing house launched a securities lending program in 2001 using a portion of certain securities deposited to meet the proprietary performance bond requirements of our clearing firms. Under this securities lending program, we lend a security to a third party and receive collateral in the form of cash. The majority of the cash is then invested on an overnight basis to generate interest income. The related interest expense represents payment to the borrower of the security for the cash collateral retained during the duration of the lending transaction. Securities on loan are marked-to-market daily and compared to collateral received.

Technology

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

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

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

Speed, reliability, scalability, capacity and functionality are critical performance criteria for electronic trading platforms. A substantial portion of our operating budget is dedicated to system design, development and operations in order to achieve high levels of overall system performance. For example, we plan to implement additional functionality for our CME Eurodollar and foreign exchange options for user defined spreads and the facilitation of covered options and futures trading. We also have two remote data facilities to provide additional system capacity and redundancy for our trading and clearing technology. Our data centers support our customer interfaces, trading and execution systems, as well as clearing and settlement operations.

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

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

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

The distribution technologies we offer differentiate our platform and bring liquidity and trading volume to our execution facilities. As of December 31, 2005, nearly 2,500 customers connected directly with us, and thousands more connected with us through 30 independent software vendors and data centers, as well as all clearing firms that have interfaces with our systems. Many of these customers connect through a dedicated private network that is readily available, has wide distribution and provides fast connections in the Americas, Europe and Asia. In 2005, we partnered with MCI, ATT and Yipes Enterprise Services, Inc. to implement our next generation network providing direct Ethernet connectivity, reducing latency and increasing bandwidth. We have also established telecommunications hubs in Amsterdam, Dublin, Frankfurt, Gibraltar, London, Milan, Paris and Singapore to respond to customer requests and reduce the cost of trading for our foreign customers. We now have direct customer access to our exchange in over 70 countries.

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

Several key technology platforms and standards are used to support these activities, including fault-tolerant Non-Stop (Tandem systems), IBM mainframes, Sun Microsystems and HP servers, HP and Dell PCs, Oracle and DB2 databases, LINUX, UNIX, Novell, TIBCO middleware and multi-vendor network solutions.

Our match engine is based upon the computerized trading and match software known as the NSC system. We have a long-term license from Euronext-Paris, under which we have the ability to modify and upgrade the performance of the basic NSC system to optimize its performance to suit our needs. We have a fully trained development team that maintains, upgrades and customizes our version of the NSC system. For example, despite a large increase in transaction volume, we reduced our average matching engine response time from approximately 0.11 seconds at the beginning of 2005 to approximately 0.05 seconds at year-end, allowing trades to be executed more quickly. The customized enhancements that we have developed address the unique trading demands of each marketplace that we serve. We continue to focus on performance features of the match engine and presently have multiple enhancements under development.

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

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

CME SPAN is our sophisticated margining and risk management software. CME SPAN has now been adopted by 52 exchanges and clearing organizations worldwide. This software simulates the effects of changing market conditions on a complex portfolio and uses standard options pricing models to determine a portfolio's overall risk. CME SPAN then generates a performance bond requirement that typically covers 95% of price changes within a given historical period.

Strategic Relationships

Chicago Board of Trade. In April 2003, we entered into an agreement with the CBOT to provide clearing and related services for CBOT futures and options on futures contracts. We began providing clearing services for CBOT's commodity, equity index and a subset of CBOT's interest rate products on November 24, 2003 and, as of January 2, 2004, we began clearing all of CBOT's remaining products. In providing services to the CBOT, our clearing house clears, settles and guarantees all CBOT transactions, using the full resources of our clearing processes and financial safeguards package. We cleared 675 million contracts for the CBOT in 2005. Open interest for CBOT contracts was 10.3 million contracts at December 31, 2005. The initial term of the agreement is until January 2009, with subsequent three year renewals upon the mutual consent of the parties.

Goldman Sachs. In 2005, we partnered with Goldman Sachs to provide a clearing solution for its auction markets through the launch of CME Economic Derivatives. CME Economic Derivatives provide a way of hedging and initiating portfolio risk on macro-economic events and are based on seven key U.S. and European economic indicators, including the U.S. initial jobless claims. These products are traded in CME Auction Markets. In 2006, we plan to make these products available on our CME Globex platform.

New York Mercantile Exchange. From 2002 through November 2005, we jointly operated a cooperative arrangement with NYMEX to introduce small-sized versions of key NYMEX energy futures contracts, called e-miNY energy futures, for trading on our CME Globex electronic trading platform and clearing at the NYMEX clearing house. As a result of this arrangement, we are generally prohibited until June 2006, other than in cooperation with NYMEX, from providing for or facilitating electronic trading in futures or options on futures contracts on any underlying commodity (or index of such commodities) that was also the underlying commodity for a product listed for trading as of June 2002 by NYMEX.

OneChicago. OneChicago is our joint venture with the Chicago Board Options Exchange, or CBOE, and the CBOT for the trading of single stock futures and futures based on narrow-based stock indexes. We currently own approximately a 40% interest in the joint venture. In 2005, we began a process to identify a possible strategic investor or investors to secure additional capital for OneChicago and increase the joint venture's chance of success.

Reuters. In the first quarter of 2005, we launched our initiative with Reuters to offer access to our electronic foreign exchange markets to Reuters' global customer base over the Reuters Dealing 3000 trading system. This arrangement gives dealers in the interbank market direct access to our foreign exchange products in cash equivalent format and enhances their ability to seamlessly trade foreign exchange spot, forwards and futures.

Singapore Derivatives Exchange Ltd. In 1984, we entered into a mutual offset agreement with the Singapore Derivatives Exchange and, in November 2003, we entered into an extension of the agreement, which expires in February 2007. This relationship allows a clearing firm of either exchange initiating trades in certain products on either exchange to execute after-hours trades at the other exchange in those products, then transfer them back to the originating exchange. In connection with this agreement, we are generally prohibited from listing Euroyen electronically as well as outside of our regular trading hours.

Marketing Programs and Advertising

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

Our advertising strategies seek to increase awareness and strengthen perceptions of us among our institutional and retail customers, as well as support an increase in our trading volume. Our primary method of advertising has been through print media, utilizing trade magazines and newsletters as well as daily business publications. However, we also use on-line, television sponsorship and other targeted advertisements to reach our target audiences.

Competition

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

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

At year-end 2005, there were 57 futures exchanges located in 30 countries, including nine futures exchanges in the United States. In February 2004, Eurex commenced operation of its U.S. derivatives exchange, U.S. Futures Exchange, L.L.C., or Eurex U.S. Eurex U.S.'s initial competitive efforts were directed at the CBOT. However, Eurex U.S. has expanded its product offerings in direct competition with us to include futures based on the Russell 1000 and Russell 2000 indexes and foreign exchange rates. In addition, in March 2004, Euronext.liffe began listing and trading Eurodollar futures contracts. Because equity futures contracts are alternatives to underlying stocks and a variety of equity option and other contracts provide an alternative means of obtaining exposure to the equity markets, we also compete with securities and options exchanges, including the New York Stock Exchange and the CBOE, dealer markets such as NASDAQ and alternative trading systems.

OTC markets for foreign exchange and fixed-income derivatives products also compete with us. The largest foreign exchange markets are operated primarily as electronic trading systems. Two of the largest of these, operated by Electronic Brokering Services and Reuters, serve primarily professional foreign exchange trading firms. Additional electronic platforms designed to serve corporate foreign exchange users are beginning to emerge. Two of these are operated by consortia of interdealer and interbank market participants. A third is a proprietary trading system. In addition, certain provisions of the CFMA have led to an increase in unregulated electronic and brokerage trading systems in the foreign exchange market.

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

Alternative trade execution facilities that currently specialize in the trading of equity securities have electronic trade execution and routing systems that also can be used to trade products that compete with our products.

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

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

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

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

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

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

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

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

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

Regulatory Matters

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

Between 1974 and December 2000, the barriers against unregulated competitors were eroded. The Commodity Exchange Act's exchange trading requirement was modified by CFTC regulations and interpretations to permit privately negotiated swap contracts meeting specified requirements to be transacted in the OTC market. As of June 2005, according to data from the Bank for International Settlements, the total estimated notional amount of outstanding OTC derivatives contracts was approximately $270 trillion compared to approximately $59 trillion for exchange-traded futures and options on futures contracts. The CFTC exemption and interpretations under which the OTC derivatives market operated precluded the OTC market from using exchange-like electronic transaction systems and clearing facilities.

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

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

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

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

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

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

Our existing market, which trades a broad range of products and permits intermediaries to represent unsophisticated customers, is subject to the most thorough oversight as a designated contract market. The CFMA permits us to organize markets that are subject to lesser regulation depending on the types of products traded and the types of traders. Markets can be organized that trade only products that are unlikely to be susceptible to manipulation and permit direct trading only among institutional participants in order to achieve a less intrusive degree of oversight. For example, in September 2005, we created CME Alternative Marketplace Inc., a wholly owned subsidiary of CME and an exempt board of trade registered with the CFTC for the trading of CME Economic Derivatives.

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

Demutualization and the increasing utilization of electronic trading systems by traders from remote locations may, among other developments, impact our ability to continue the traditional form of "self-regulation" that has been an integral part of the CFTC regulatory program. The CFTC is conducting an on-going review of self-regulatory organizations and the appropriate role, if any, of self regulation in the futures markets.

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

The CFTC is subject to reauthorization every five years, which was scheduled to be completed in 2005. This process is still ongoing and could result in legislation that may have a negative impact on the way we operate our exchange, including our ability to operate our self-regulatory functions or effectively compete with new entrants into our market place.

From time to time it is proposed in the President's budget, including the 2007 proposed budget, that a transaction tax be imposed on futures and options on futures transactions. While those proposals have not been adopted to date, except for a per-contract fee on single stock futures and futures on narrow-based stock indexes, the imposition of any such tax could increase the cost of using our products and, consequently, our business, financial condition and operating results could be negatively affected.

Our Members

CME members can execute trades for their own accounts, for clearing firm accounts, for the accounts of other members or for the accounts of customers of clearing firms. Members who trade for their own account, including those who lease trading rights, qualify for lower transaction fees in recognition of the market liquidity that their trading activity provides. These members also benefit from market information advantages that may accrue from their proximity to activity on the trading floors. Generally, member customers are charged lower fees than our non-member customers. In 2005, our members were responsible for nearly 79% of our total trading volume. There are four divisions of membership at our exchange: the Chicago Mercantile Exchange, or CME, division; the International Monetary Market, or IMM, division; the Index and Option Market, or IOM, division; and the Growth and Emerging Markets, or GEM, division. Each membership division has different trading rights. Membership applicants planning to access the trading floor are subject to a review and approval process prior to becoming members and obtaining trading rights. We have individual trading members and clearing firms. As of December 31, 2005, there were approximately 80 clearing firms.

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

Our exchange is a self-regulatory organization subject to the oversight of the CFTC. Members submit to the jurisdiction of our exchange rules. Our Market Regulation Department is the investigative and enforcement arm of our exchange with regard to our exchange rules. Members who are found to have violated a rule can be subject to sanctions such as fines, trading suspensions and/or expulsion from our exchange.

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

Our Shareholder Relations and Membership Services Department maintains an auction market for individual trading rights. Prospective purchasers sign and file with the department a "Bid to Purchase" form which must be guaranteed by either a clearing firm or accompanied by a certified or cashier's check. Prospective sellers sign and file with the department an "Offer to Sell" form. The department posts bids, offers and last trade prices for the purchase of trading rights.

Other Business Relationships and Subsidiaries

CME Alternative Marketplace Inc. CME Alternative Marketplace Inc., a wholly owned subsidiary of CME, was established in September 2005 as an exempt board of trade registered with the CFTC. Currently, CME Economic Derivatives are the only products traded through this subsidiary. CME Alternative Marketplace accounted for less than 1% of our consolidated net revenues in 2005.

CME Trust. The Chicago Mercantile Exchange Trust, or the CME Trust, was established in 1969 to provide financial assistance, on a discretionary basis, to customers of any clearing firm that becomes insolvent. We funded the CME Trust through tax-deductible contributions until June 1996. The CME Trust had approximately $62.8 million, $61.7 million and $59.7 million in net assets as of December 31, 2005, 2004 and 2003, respectively, as a result of contributions, investment income and the absence of any distributions. The trustees of the CME Trust, who are also members of our Board of Directors, have discretion to use the assets of the CME Trust to provide assistance to customers of a member threatened with financial losses because such member is insolvent or is in such financial condition that it may unable to meet its obligations to its customers, provided that the customer's losses or threatened losses are related to transactions in our contracts. No outside parties, including CME, have any residual interest in the assets of the CME Trust.

GFX Corporation. GFX Corporation, or GFX, a wholly owned subsidiary of CME, was established in 1997 for the purpose of maintaining and creating liquidity in our electronically traded foreign exchange futures contracts. Experienced foreign exchange traders employed by GFX buy and sell our foreign exchange contracts using our CME Globex system. They limit risk from these transactions through offsetting transactions using forward contracts and spot foreign exchange transactions with approved counterparties in the interbank market. On occasion, GFX has also engaged in the trading of CME Eurodollars and equity index contracts. GFX accounted for 0.9%, 1.1% and 1.3% of our consolidated net revenues in 2005, 2004 and 2003, respectively.

Licensing Agreements

Standard & Poor's. We have had a licensing arrangement with Standard & Poor's Corporation since 1980. In September 2005, all of our previous licensing agreements with Standard & Poor's were consolidated into one agreement that terminates on December 31, 2017. Under the terms of the agreement, S&P granted us a license to use certain S&P stock indexes and the related trade names, trademarks and service marks in connection with the creation, marketing, trading, clearing and promoting of futures contracts and/or options on futures contracts that are indexed to certain S&P stock indexes. The license is exclusive through December 31, 2016 and non-exclusive through December 31, 2017 with some exceptions. Our license for the S&P 500 Index remains exclusive through December 31, 2008, after which we will retain our exclusive rights through December 31, 2016 so long as certain minimum average trading volume is met or other circumstances exist that relate to the reduction in trading volume. We may pay an additional fee to retain the exclusivity if the minimum average trading volume is not met. For certain products based on S&P stock indexes that we list after the effective date of the amended and restated agreement, we will have an exclusive license for two or three years depending upon the nature of the index, after which we will retain our exclusive rights so long as certain minimum average trading volumes are met. Under the agreement, we maintain our right of first refusal for new stock indexes developed by S&P during the term of the agreement. S&P also retains the right to terminate the license based on new S&P stock indexes or to terminate the exclusivity of that license in the event we fail to launch a product based on the index within a one year period, subject to some consideration for regulatory delays. In exchange for the license, we pay S&P a per trade fee. If S&P discontinues compilation and publication of any license or index, we may license, on a non-exclusive and royalty-free basis, the information regarding the list of companies, shares outstanding and divisors for that index or terminate the obligations regarding the index. The licenses become non-exclusive in the event we list certain competitive products.

NASDAQ. We have had a licensing arrangement with NASDAQ since 1996 to license the NASDAQ-100 Index and related trade names, trademarks and service marks. The license was extended and expanded in October 2003 to license us both the NASDAQ-100 Index and the NASDAQ Composite Index and in April 2005 to add the NASDAQ Biotechnology Index for trading futures and options on futures contracts that are based on the indexes. The license for these indexes is exclusive through October 9, 2007 with an automatic renewal until October 9, 2012. With respect to the NASDAQ Composite Index, as of October 27, 2005 and on each subsequent anniversary, NASDAQ may terminate the exclusivity or the entire license if trading volume fails to meet certain performance criteria. During the applicable period of exclusivity, NASDAQ will not grant a license to use the indexes in connection with the trading, marketing and promotion of futures contracts and options on those futures contracts that are based on an index that is exclusive to us. We pay per trade fees to NASDAQ under the license. We have a right of first refusal for new NASDAQ indexes that are licensed for futures products where the index is substantially equivalent to an index licensed to us or is a subset of an index licensed to us.

NSC. Our license agreement for the NSC software was signed with Paris Bourse SA in 1997, and it continues until 2022. The agreement was assigned by Paris Bourse SA to Euronext N.V. in 1997. Under the terms of the agreement, Euronext N.V. granted us a nonexclusive license to use the NSC software for the trading of our products and the products of certain other exchanges. In addition, we have the right to use our Globex trademark in conjunction with our operation of the electronic trading system based on NSC software. In consideration for the license of the NSC software, we granted Euronext N.V. a license to use and modify CLEARING 21. In December 2002, we acquired the right to offer application service provider services to third parties using the NSC software.

Intellectual Property

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

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

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

Employees

As of December 31, 2005, we had 1,321 employees. We consider relations with our employees to be good. We have never experienced a work stoppage. We are not a party to any collective bargaining agreement. However, we employ seven engineers who are associated with the International Union of Operating Engineers, Local 399, AFL-CIO.

Available Information

Our Web site is *www.cme.com*. Information made available on our Web site does not constitute part of this document. We make available on our Web site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. Our corporate governance materials, including our Corporate Governance Principles, Director Independence and Conflict of Interest Policy, Board of Directors Code of Ethics, Categorical Independence Standards, Employee Code of Conduct and the charters for all the standing committees of our Board, may also be found on our Web site. Copies of these materials are also available to shareholders free of charge upon written request to Shareholder Relations and Membership Services, Attention Ms. Beth Hausoul, Chicago Mercantile Exchange Holdings Inc., 20 South Wacker Drive, Chicago, Illinois 60606.

ITEM 1A. RISK FACTORS

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

Shareholders who own trading rights or are officers or directors of others who own trading rights on our exchange account for 12 of the 20 directors on our Board. These shareholders may have interests that differ from or conflict with those of shareholders who are not also members. Our dependence on the trading and clearing activities of our members, combined with their rights to elect directors, may enable them to exert substantial influence over the operation of our business.

As of April 27, 2005, the date of our most recent Annual Meeting of Shareholders, 12 of the 20 directors on our Board owned or were officers or directors of others who owned trading rights on our exchange. We are dependent on the revenues from the trading and clearing activities of our members. This dependence may give them substantial influence over how we operate our business.

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

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

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

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

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

Our Class B shareholders are also entitled to elect six of the 20 directors on our Board, even if their Class A share ownership interest is very small or non-existent.

Our certificate of incorporation also includes a provision requiring us to maintain open outcry floor trading on our exchange for a particular traded product as long as the open outcry market is “liquid.” Our certificate of incorporation requires us to maintain a facility for conducting business, disseminating price information, clearing and delivery and to provide reasonable financial support for technology, marketing and research for open outcry markets. Our certificate of incorporation provides specific tests as to whether an open outcry market will be deemed liquid, as measured on a quarterly basis. If a market is deemed illiquid as a result of a failure to meet any of these tests, our Board may determine whether such market should be closed.

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

We generate revenues primarily from our clearing and transaction fees and our processing services provided to third parties. We expect to continue to do so for the foreseeable future. Each of these revenue sources is substantially dependent on the trading volume in our markets and in the markets we provide processing services. Our trading volume is directly affected by U.S. domestic and international factors that are beyond our control, including:

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

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

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

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

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

The future success of our business depends in large part on our ability to create interactive electronic marketplaces in a wide range of derivatives products that have the required functionality, performance, reliability, speed and liquidity to attract and retain customers. A significant portion of our current overall volume is generated through electronic trading on our CME Globex electronic platform. However, during 2005, 29% of our volume and approximately 21% of our clearing and transaction fees revenue was generated through our open outcry trading facilities. Most of our open outcry volume is related to trading in options on our futures contracts. Our electronic functionality may not be capable of accommodating all of the complex trading strategies typically used for trading options on futures contracts. In August 2005, we integrated our enhanced options system for trading CME Eurodollar options into our CME Globex electronic trading platform. This enhanced functionality is designed to facilitate trading of complex combination and spread trades typically used with short-term interest rate options on futures, within a fully transparent and competitive environment. We also plan to increase its functionality to include trading of other option contracts. However, we may not complete the development of, or successfully implement, the required electronic functionality for CME's options on futures contracts. Moreover, our customers who trade options may not accept our electronic trading systems. In either event, our ability to increase trading volume of options on futures contracts on the CME Globex platform would be adversely affected. In addition, if we are unable to develop our electronic trading systems to include other products and markets, or if our electronic trading systems do not have the required functionality, performance, reliability, speed and liquidity, we may not be able to compete successfully in an environment that is increasingly dominated by electronic trading.

The enhancement of our electronic trading platform exposes us to risks inherent in operating in the evolving market for electronic transaction services. If we do not successfully enhance our electronic trading platform, or if our customers do not accept it, our revenues and profits will be adversely affected.

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

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

If we do not successfully enhance our electronic trading platform, or our current or potential customers do not accept it, our revenues and profits will be adversely affected.

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

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

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

The derivatives, securities and financial services industries are highly competitive. We expect that competition will continue to intensify in the future. Our current and prospective competitors, both domestically and around the world, are numerous. They include securities and securities option exchanges, futures exchanges, OTC markets, clearing organizations, market data and information vendors, electronic communications networks, crossing systems and similar entities, consortia of large customers, consortia of some of our clearing firms and electronic brokerage and dealing facilities. At December 31, 2005, there were 57 futures exchanges located in 30 countries, including nine futures exchanges in the United States. In February 2004, Eurex commenced operation of its U.S. derivatives exchange, Eurex U.S. Eurex U.S.'s initial competitive efforts were directed at the CBOT. However, Eurex U.S. has expanded its product offerings in direct competition with us to include futures based on the Russell 1000 and Russell 2000 indexes and foreign exchange rates. Additionally, in March 2004, Euronext.liffe began listing and trading Eurodollar futures contracts.

We believe we may also face competition from large computer software companies and media and technology companies. The number of businesses providing internet-related financial services is rapidly growing. Other companies have entered into or are forming joint ventures or consortia to provide services similar to those provided by us. Others may become competitive with us through acquisitions. Changes in federal law allow institutions that have been major participants on our exchange to trade the same or similar products among themselves without utilizing any exchange or trading system. Many of our competitors and potential competitors have greater financial, marketing, technological and personnel resources than we do. These factors may enable them to develop similar products, to provide lower transaction costs and better execution to their customers and to carry out their business strategies more quickly and efficiently than we can. In addition, our competitors may:

- respond more quickly to competitive pressures due to their corporate governance structures, which may be more flexible and efficient than our corporate governance structure;
- develop products that are preferred by our customers;
- develop risk transfer products that compete with our products;
- price their products and services more competitively;
- develop and expand their network infrastructure and service offerings more efficiently;
- utilize better, more user-friendly and more reliable technology;
- take greater advantage of acquisitions, alliances and other opportunities;
- more effectively market, promote and sell their products and services;
- better leverage existing relationships with customers and alliance partners or exploit better recognized brand names to market and sell their services; and
- exploit regulatory disparities between traditional, regulated exchanges and alternative markets that benefit from a reduced regulatory burden and lower-cost business model.

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

Our average rate per contract is subject to fluctuation due to a number of factors. As a result, you will not be able to rely on our average rate per contract in any particular period as an indication of our future average rate per contract.

Our average rate per contract, which impacts our operating results, is subject to fluctuation due to shifts in the mix of products traded, the trading venue and the mix of customers (whether the customer receives member or non-member fees or participates in one of our various incentive programs) and the impact of our tiered pricing structure. For example, we earn a higher rate per contract for trades executed on the CME Globex electronic trading platform. In addition, our members and participants in our various incentive programs generally are charged lower fees than our non-member customers. Each of these factors is difficult to predict and will have an impact on our average rate per contract in the particular period. For example, our average rate per contract decreased to $0.664 for the year ended December 31, 2005 from $0.702 for the same period in 2004. Because of this fluctuation, you may not be able to rely on our average rate per contract in any particular period as an indication of our future average rate per contract. If we fail to meet securities analysts' expectations regarding our operating results, the price of our Class A common stock could decline substantially.

Our quarterly operating results fluctuate due to seasonality. As a result, you will not be able to rely on our operating results in any particular quarter as an indication of our future performance.

Generally, we have experienced relatively higher volume during the first and second quarters and sequentially lower trading volume in the third and fourth quarters. As a result of this seasonality, you will not be able to rely on our operating results in any particular period as an indication of our future performance. If we fail to meet securities analysts' expectations regarding our operating results, the price of our Class A common stock could decline substantially.

The CFMA has reduced the barriers of entry into our markets which has led to increased competition and enabled many of our customers to trade futures contracts other than on exchanges. These changes may adversely affect our trading volume, revenue and profits.

Our industry has been subject to several fundamental regulatory changes, including changes in the statute under which we have operated since 1974. The Commodity Exchange Act generally required all futures contracts to be executed on an exchange that had been approved by the CFTC. The "exchange trading requirement" was modified by CFTC regulations and interpretations to permit privately negotiated swap contracts to be transacted in the OTC market. The CFTC exemption under which the OTC derivatives market operated precluded the OTC market from using exchange-like electronic transaction systems and clearing facilities. These barriers to competition from the OTC market were repealed by the CFMA. One of the chief beneficiaries of the CFMA has been OTC dealers and competitors that operate or intend to open electronic trading facilities or to conduct their futures business directly among themselves on a bilateral basis. The customers who may access these trading facilities or engage in bilateral private transactions are the same customers who account for a substantial portion of our trading volume. The CFMA also permits banks, broker-dealers and some of their affiliates to engage in foreign exchange futures transactions for or with retail customers without being subject to regulation under the Commodity Exchange Act. These customers are the same customers who might otherwise use CME foreign exchange products. In the future, our industry may become subject to new regulations or changes in the interpretation or enforcement of existing regulations. We cannot predict the extent to which any future regulatory changes may adversely impact our business, including our ability to compete with enterprises, which offer off-exchange trading and which benefit from a reduced regulatory burden and lower-cost business model.

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

Our members may seek alternative trading venues and products, which may negatively impact the liquidity of our markets and our trading volume.

The trading activities of our members accounted for 79% and 78% of our trading volume during 2005 and 2004, respectively. Subject to the oversight of our Board of Directors, our management is charged with making decisions that are designed to enhance shareholder value, which may lead to decisions or outcomes with which our members disagree. These changes may make us less attractive to our members and encourage them to conduct their business at, or seek membership in, another exchange or to trade in equivalent products among themselves on a private, bilateral basis. A material decrease in member trading activity that is not offset by an increase in non-member trading would negatively impact liquidity and trading volume in our products and reduce our revenues. A loss or material reduction in the number of our clearing firms and the capital they provide to guarantee their trades and the trades of their customers would also diminish the strength and attractiveness of our clearing house and our markets.

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

The success of our business depends, in part, on our ability to maintain and increase our trading volume. To do so, we must maintain and expand our product offerings, our customer base and our trade execution alternatives. Our success also depends on our ability to maintain our trading volume and to offer competitive prices and services in an increasingly price sensitive business. We cannot assure you that we will be able to continue to expand our product lines, or that we will be able to retain our current customers or attract new customers. For example, the majority of the clearing and transaction fees we receive from our clearing firms represent charges for trades executed on behalf of their customers. We believe that in the event one of our clearing firms discontinues operations, the customer portion of that firm's trading activity would likely transfer to another clearing firm. However, we cannot guarantee you that the discontinuation of any clearing firm would not result in our loss of customers which could have an adverse effect on our trading volumes or revenues. We also cannot assure you that we will not lose customers to low-cost competitors with comparable or superior products, services or trade execution facilities. If we fail to maintain our trading volume, to expand our product offerings or execution facilities, or we lose a substantial number of our current customers, or are unable to attract new customers, our business will be adversely affected.

Any significant decline in the trading volume of our CME Eurodollar, S&P 500 or NASDAQ-100 futures and options on futures contracts would adversely affect our revenues and profitability.

We are substantially dependent on trading volume from three product offerings for a significant portion of our clearing and transaction fee revenues and profits. The clearing and transaction fees revenue attributable to transactions in CME Eurodollar contracts and all our contracts based on the S&P 500 and NASDAQ-100 (including CME E-mini products) approximated 44%, 25% and 7%, respectively, of our total clearing and transaction fees revenue during the year ended December 31, 2005 and 43%, 26% and 10%, respectively, during the year ended December 31, 2004. Any significant decline in our trading volume in any of these products would negatively impact our business, financial condition and operating results.

We believe our CME Eurodollar futures contract serves as a global financial benchmark, but we cannot assure you that, in the future, other products will not become preferred alternatives to our CME Eurodollar contract as a means of managing or speculating on interest rate risk. We also cannot assure you that competitors will not enter the Eurodollar market. For example, in March 2004, Euronext.liffe began listing and trading Eurodollar futures contracts. Our members may also elect to trade Eurodollars in privately negotiated bilateral transactions without the use of our clearing house. In either of these events, our trading volume, revenues and profitability could be adversely affected.

Our rights to the Standard & Poor's and NASDAQ products were obtained through licensing arrangements. Our license agreement with Standard & Poor's provides that the S&P 500 Index futures products will be exclusive through December 31, 2008, after which we will retain our exclusive rights through December 31, 2016 so long as certain minimum average trading volume is met or other circumstances exist that relate to the reduction in trading volume. Our license with NASDAQ is exclusive with respect to futures and options on futures contracts based on the NASDAQ-100 Index through October 9, 2007 with an automatic renewal until October 9, 2012.

We cannot assure you that we will be able to maintain the exclusivity of these licensing agreements. In addition, we cannot assure you that others will not succeed in creating stock index futures based on information similar to that which we have obtained by license or that market participants will not increasingly use alternative instruments, including securities and options based on the S&P and NASDAQ indexes, to manage or speculate on U.S. stock risks. Parties may also succeed in offering indexed products that are similar to our licensed products without being required to obtain a license or in countries that are beyond the jurisdictional reach of us and/or our licensors. We also cannot assure you that NASDAQ will not directly or indirectly through other exchanges offer security futures contracts that compete with our broad-based index futures contracts based upon NASDAQ indexes.

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

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

We may not continue to realize the benefits of our agreement to provide processing services for CBOT products.

We entered into an agreement with the CBOT in April 2003, which was subsequently amended in March 2004, to provide processing services for CBOT futures and options on futures contracts. Under the terms of the agreement, clearing services for commodity, equities and some interest rate products began in November 2003 and for all other CBOT futures and options on futures contracts on January 2, 2004. In the years ended December 31, 2005 and 2004, we cleared 675 million and 600 million contracts for the CBOT, respectively, which generated $64.2 million and $55.1 million, respectively, in processing services revenue. We cannot assure you that we will continue to realize the benefits received from our processing agreement. Our future revenues from providing these processing services will be dependent on the CBOT's ability to maintain and/or expand its trading volume, which is subject to a number of factors beyond its control. As a futures exchange, the CBOT's ability to maintain or expand its volume and operate its business is subject to the same types of risks to which we are subject. Any significant decrease in the CBOT's trading volume will result in a corresponding decrease in our realized benefits. Our net income from the processing services we provide to the CBOT will also depend on our ability to control our costs associated with providing such services.

The initial term of the agreement is until January 2009, with subsequent three year renewals upon the mutual consent of the parties. The terms of the agreement also provide that both we and the CBOT may terminate the agreement in some circumstances. We cannot assure you that the agreement will not be terminated prior to the end of its term or that the agreement will be renewed after its initial term or that any renewal will be on terms as favorable to us. Any such event could have an adverse effect on our revenues.

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

We sell our market data to individuals and organizations that use our markets or monitor general economic conditions. Revenues from our market data totaled $71.7 million, representing 8% of our net revenues, and $60.9 million, or 8% of our net revenues, during the years ended December 31, 2005 and 2004, respectively. Electronic trading systems do not usually impose separate charges for supplying market data to trading terminals. If we do not separately charge for market data supplied to trading terminals, and trading terminals with access to our markets become widely available, we could lose market data fees from those who have access to trading terminals. We will experience a reduction in our revenues if we are unable to recover that lost quote fee revenue through terminal usage fees or transaction fees.

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

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

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

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

From time to time, we have experienced system errors and failures that have resulted in some customers being unable to connect to our electronic trading platform or erroneous reporting, such as transactions that were not authorized by any customer or reporting of filled orders as cancelled. For example, in April 2005, May 2003 and September 2002, we experienced technical failures that resulted in a temporary suspension of trading on the CME Globex platform. The impact of these events has not been material. However, we cannot assure you that if we experience system errors or failures in the future that they will not be material.

Our status as a CFTC registrant generally requires that our trade execution and communications systems be able to handle anticipated present and future peak trading volume. Heavy use of our computer systems during peak trading times or at times of unusual market volatility could cause our systems to operate slowly or even to fail for periods of time. We constantly monitor system loads and performance and regularly implement system upgrades to handle estimated increases in trading volume. However, we cannot assure you that our estimates of future trading volume will be accurate or that our systems will always be able to accommodate actual trading volume without failure or degradation of performance. Increased CME Globex trading volume may result in connectivity problems or erroneous reports that may affect users of the platform.

System failure or degradation could lead our customers to file formal complaints with industry regulatory organizations, to file lawsuits against us or to cease doing business with us or could lead the CFTC or other regulators to initiate inquiries or proceedings for failure to comply with applicable laws and regulations.

We will need to continue to upgrade, expand and increase the capacity of our systems as our business grows and we execute our business strategy. Our goal is to design our systems to handle at least one and a half times our peak historical transactions in our highest volume products. As volume of transactions grow, the ability of our systems to meet this goal on an ongoing basis depends on our ability to increase our system capacity on a timely basis while maintaining system reliability. Although many of our systems are designed to accommodate additional volume and products and services without redesign or replacement, we will need to continue to make significant investments in additional hardware and software to accommodate the increased volume of transactions and to provide processing services to third parties. If we cannot increase the capacity and capabilities of our systems to accommodate an increasing volume of transactions and to execute our business strategy, our ability to maintain or expand our businesses would be adversely affected.

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

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

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

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

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

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

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

Although the CFMA significantly reduced our regulatory burdens, we remain extensively regulated by the CFTC. Our international operations may be subject to similar regulations in specific jurisdictions. We are registered in a number of countries outside the United States. In some cases, our registrations are subject to annual review and such reviews may subject us to additional requirements in the future. We may also be required to register or become subject to regulation in other jurisdictions in order to accept business from customers in those jurisdictions.

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

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

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

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

Demutualization and the increasing utilization of electronic trading systems by traders from remote locations may, among other developments, impact our ability to continue the traditional form of "self-regulation" that has been an integral part of the CFTC regulatory program. The CFTC is conducting an ongoing review of self-regulatory organizations and the appropriate role, if any, of self regulation in the futures markets. We cannot assure you that the CFTC will not make modifications to its regulations as a result of its review. Any such modification or restructuring of our regulatory functions could entail material costs and may have an adverse effect on the way we conduct our business.

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

The CFTC is subject to reauthorization every five years, which was scheduled to be completed in 2005. This process is still ongoing and could result in legislation that may have a negative impact on the way we operate our exchange, including our ability to operate our self-regulatory functions or effectively compete with new entrants into our market place.

From time to time, the President's budget, including the 2007 proposed budget, includes a proposal that a transaction tax be imposed on futures and options on futures transactions. While those proposals have not been adopted to date, except for a per-contract fee imposed under the Securities Exchange Act of 1934 on single stock futures and futures on narrow-based stock indexes, the imposition of any such tax would increase the cost of using our products and, consequently, could adversely impact our trading volumes, revenues and profits.

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

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

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

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

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

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

There have been a number of highly publicized cases involving fraud or other misconduct by employees of financial services firms in recent years. Misconduct by our employees, including employees of GFX Corporation, our wholly owned subsidiary that primarily engages in proprietary trading in foreign exchange futures, could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of CME customers or improper use of confidential information. Employee misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Our employees also may commit errors that could subject us to financial claims for negligence, or otherwise, as well as regulatory actions. For example, employees of GFX Corporation enter into transactions to promote liquidity in CME foreign exchange contracts on the CME Globex platform and subsequently enter into offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market to limit market risk. In the event the offsetting transaction is not entered into or is not timely or properly executed, we could be exposed to substantial market risk.

We may have difficulty executing our growth strategy and maintaining our growth effectively.

We have experienced significant growth in our business. Continued growth may require additional investment in personnel, facilities, information technology infrastructure and financial and management systems and controls and may place a significant strain on our management and resources. We may not be successful in implementing all of the processes that are necessary to support our growth organically or as described in the following risk factor through acquisitions or other strategic alliances. Unless our growth results in an increase in our revenues that is proportionate to the increase in our costs associated with our growth, our future profitability could be adversely affected, and we may have to incur significant expenditures to address the additional operational and control requirements as a result of our growth.

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

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

- difficulties in the assimilation of acquired businesses or technologies;
- diversion of management's attention from other business concerns;
- assumption of unknown material liabilities;
- difficulties in implementing adequate compliance and risk management methods for new operations;
- failure to achieve financial or operating objectives; and
- potential loss of customers or key employees of acquired companies.

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

We also may seek to expand or enhance some of our operations by forming joint ventures or alliances with various strategic partners throughout the world. Entering into joint ventures and alliances also entails risks, including difficulties in developing and expanding the business of newly formed joint ventures, exercising influence over the activities of joint ventures in which we do not have a controlling interest, and potential conflicts with our joint venture or alliance partners. For example, in 2001 we entered into an operating agreement governing OneChicago, our joint venture with the CBOE and the CBOT, to trade single stock futures and futures based on narrow-based stock indexes. We currently own approximately a 40% interest in the joint venture. In 2005, we began a process to identify a possible strategic investor or investors in order to secure additional capital for OneChicago and increase its chances of success. This process is ongoing, and we cannot assure you that the owners of OneChicago, including us, will be able to complete a transaction with a strategic investor. If we complete such a transaction, our ownership interest in OneChicago will likely be reduced. Our ability to control strategic decisions by OneChicago or its board of directors is limited, and it will be further reduced if we complete a transaction with a strategic investor. We cannot assure you that any joint venture or alliance that we have entered into, including OneChicago, or may enter into in the future, will be successful.

The imposition in the future of regulations requiring that clearing houses establish linkages with other clearing houses whereby positions at one clearing house can be transferred to and maintained at, or otherwise offset by a fungible position existing at, another clearing house may have a material adverse effect on the operation of our business.

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

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

We plan to continue to expand our operations internationally, including by directly placing order entry terminals with customers outside the United States and by relying on distribution systems established by our current and future strategic alliance partners. We currently have direct customer access in more than 70 countries. We face certain risks inherent in doing business in international markets, particularly in the regulated derivatives exchange business. These risks include:

- restrictions on the use of trading terminals or the contracts that may be traded;
- becoming subject to extensive regulations and oversight, tariffs and other trade barriers;
- difficulties in staffing and managing foreign operations;

- general economic and political conditions in the countries from which our markets are accessed, which may have an adverse effect on our volume from those countries; and
- potentially adverse tax consequences.

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

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

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

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

Patents of third parties may have an important bearing on our ability to offer certain of our products and services. Our competitors as well as other companies and individuals may obtain, and may be expected to obtain in the future, patents related to the types of products and services we offer or plan to offer. We cannot assure you that we are or will be aware of all patents containing claims that may pose a risk of infringement by our products and services. In addition, some patent applications in the United States are confidential until a patent is issued and, therefore, we cannot evaluate the extent to which our products and services may be covered or asserted to be covered by claims contained in pending patent applications. These claims of infringement are not uncommon in our industry.

In general, if one or more of our products or services were to infringe on patents held by others, we may be required to stop developing or marketing the products or services, to obtain licenses to develop and market the services from the holders of the patents or to redesign the products or services in such a way as to avoid infringing on the patent claims. We cannot assess the extent to which we may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether we would be able to obtain such licenses on commercially reasonable terms. If we were unable to obtain such licenses, we may not be able to redesign our products or services to avoid infringement, which could materially adversely affect our business, financial condition and operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our trading facilities and corporate headquarters are located at 20 South Wacker Drive in Chicago, Illinois. We occupy approximately 487,000 square feet of office space pursuant to a lease that expires in 2008. We also occupy approximately 70,000 square feet of trading floor space under a lease with the CME Trust with a term that expires in 2009. We have an option to extend the term of the lease to 2012 with an option for two successive seven-year extensions through 2019 and 2026. We maintain backup facilities for our electronic systems in separate office towers at 10 and 30 South Wacker Drive, and we have two remote data centers. We also lease administrative office space in Washington, D.C., Tokyo, Japan and Sydney, Australia and both administrative and communication equipment space in London, England. We believe our facilities are adequate for our current operations and that additional space can be obtained if needed.

ITEM 3. LEGAL PROCEEDINGS

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

On October 14, 2003, the U.S. Futures Exchange, L.L.C., or Eurex U.S., and U.S. Exchange Holdings, Inc., filed suit against the CBOT and CME in the United States District Court for the District of Columbia. The suit alleges that the CBOT and CME violated the antitrust laws and tortiously interfered with the business relationship and contract between Eurex U.S. and The Clearing Corporation. Eurex U.S. and U.S. Exchange Holdings, Inc. are seeking a preliminary injunction and treble damages. On December 12, 2003, the CBOT and CME filed separate motions to dismiss or, in the event the motion to dismiss is denied, to move the venue to the United States District Court for the Northern District of Illinois. On September 2, 2004, the judge granted the CBOT's and CME's motion to transfer venue to the Northern District of Illinois. In light of that decision, the judge did not rule on the motions to dismiss. On March 25, 2005, Eurex U.S. filed a second amended complaint in the United States District Court for the Northern District of Illinois. On June 6, 2005, CME and the CBOT filed a motion to dismiss the complaint. On August 25, 2005, the judge denied the joint CME/CBOT motion to dismiss. The parties are currently engaged in discovery. Based on its investigation to date and advice from legal counsel, we believe this suit is without merit and we intend to vigorously defend against these charges.

In November 2002, a former employee filed a complaint against CME in the Circuit Court of Cook County, Illinois seeking in excess of $3 million in damages, which was subsequently amended to allege common law claims of retaliatory discharge. In June 2003, the former 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, and that his employment termination violated Section 1981 (which prohibits discrimination in making and enforcing contracts). The state court claims were subsequently dismissed and CME prevailed on its motion for summary judgment in federal court. With the former employee's appeal pending, as of November 9, 2005, the parties agreed to mutually dismiss all claims with neither party admitting liability nor paying any sum of money to the other party.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES

The disclosure regarding market information and dividends required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2005, under the heading "Share Information" on page 89 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is included in CME and Rey Statistical Information Holdings' annual report to shareholders for the year ended December 31, 2005, under the heading "Selected Financial Data and Key Statistical Information" on page 28 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

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

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2005, on pages 29 through 50 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2005, under the heading "Quantitative And Qualitative Disclosure About Market Risk" on pages 51 and 52 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2005, on pages 55 through 83 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

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

Nothing to report.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure 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 Annual Report on Form 10-K. 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.

Management's Annual Report on Internal Control Over Financial Reporting

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2005, on page 53 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

Attestation Report of the Independent Registered Public Accounting Firm

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2005, on page 54 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13.1 to this document.

Changes in 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 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Nothing to report.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is included in CME Holdings' Proxy Statement under the headings "Nominees for Equity Directors", "Nominees for Class B-1 Director", "Nominees for Class B-2 Director", "Members of Our Board Not Standing for Election This Year", "Meetings of Our Board and Board Committees — Audit", "Executive Officers", and "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference, pursuant to General Instruction G(3).

We have adopted a written code of conduct applicable to all of our employees, including our Chief Executive Officer, Chief Financial Officer and other senior financial officers. In accordance with SEC rules and regulations, our Code of Conduct is available on our Web site at *www.cme.com* under the "Investor Relations—Corporate Governance" link. We intend to disclose promptly on our Web site any substantive amendments to our Code of Conduct and waivers granted to our executive officers. You may also obtain a copy of our Code of Conduct by following the instructions in the section of this Annual Report on Form 10-K entitled "Item 1. Business — Available Information."

ITEM 11. EXECUTIVE COMPENSATION

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

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

The following table sets forth information regarding outstanding options and shares reserved for future issuance as of December 31, 2005.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options (a)	Weighted-average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	813,478	$ 133.88	1,118,030
Equity compensation plans not approved by security holders(1)	263,613	22.00	—
Total	1,077,091	106.50	1,118,030

(1) The Company currently has the following equity compensation plans: the Amended and Restated Omnibus Stock Plan, the Employee Stock Purchase Plan and the 2005 Director Stock Purchase Plan. Prior to our reorganization, CME issued options under the Chicago Mercantile Exchange Omnibus Stock Plan, which was not approved by CME shareholders. In connection with our reorganization, CME, as the sole stockholder of CME Holdings, approved the assumption by CME Holdings of the Chicago Mercantile Exchange Omnibus Stock Plan. After the reorganization, the plan was amended and restated as the CME Holdings Amended and Restated Omnibus Stock Plan. Options issued prior to the sole shareholder approval are listed in the table above as being made under an equity compensation plan not approved by security holders, and options issued after such time are listed above as being made under an equity compensation plan approved by security holders. The Employee Stock Purchase Plan and the 2005 Director Stock Plan were approved by shareholders at our 2005 annual meeting of shareholders.

The information required by this Item relating to the security ownership of certain beneficial owners and management is included in CME Holdings' Proxy Statement under the headings "Security Ownership of Directors and Executive Officers" and "Security Ownership by Certain Owners" and is incorporated herein by reference, pursuant to General Instruction G(3).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is included in CME Holdings' Proxy Statement under the heading "Principal Accountant Fees and Services" and "Audit Committee Policy for Approval of Audit and Permitted Non-Audit Services" and is incorporated herein by reference, pursuant to General Instruction G(3).

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

The following Consolidated Financial Statements and related Notes, together with the Reports of Independent Registered Public Accounting Firm with respect thereto, appearing on pages 54 through 83 of CME Holdings' annual report to shareholders are included in Exhibit 13.1 hereto and are incorporated by reference herein:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2005 and 2004

Consolidated Statements of Income for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

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

Schedule I Condensed Financial Information of Chicago Mercantile Exchange Holdings Inc. and Subsidiaries at December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003

Schedule II Valuation and Qualifying Accounts of Chicago Mercantile Exchange Holdings Inc. and Subsidiaries for the Years Ended December 31, 2005, 2004 and 2003

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

(3) Exhibits

See (b) Exhibits below

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

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

	At December 31	
	2005	2004
Assets		
Cash and cash equivalents	$ 525,846	$ 274,279
Marketable securities	164,133	223,039
Accounts receivable	—	14
Other current assets	5,724	2,555
Other non-current assets	—	—
Investment in CME	431,373	316,439
Total Assets	$1,127,076	$ 816,326
Liabilities and Shareholders' Equity		
Advances from CME	$ 8,392	$ 3,729
Total shareholders' equity	1,118,684	812,597
Total Liabilities and Shareholders' Equity	$1,127,076	$ 816,326

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

	Year Ended December 31		
	2005	2004	2003
Revenues			
Investment income	$ 18,023	$ 6,390	$ 2,025
Expenses	599	377	229
Income before income taxes and equity in net income of CME	17,424	6,013	1,796
Income tax provision	(6,907)	(2,587)	(731)
Income before equity in net income of CME	10,517	3,426	1,065
Equity in net income of CME	296,340	216,129	121,067
Net Income	$306,857	$219,555	$122,132

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

	Year Ended December 31		
	2005	2004	2003
Cash Flows from Operating Activities:			
Net income	$ 306,857	$ 219,555	$ 122,132
Equity in net income of CME	(296,340)	(216,129)	(121,067)
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Amortization of purchase premiums on investments	1,853	2,368	—
Change in accounts receivable	14	(14)	—
Change in advances to/ from CME	5,139	3,557	(3,253)
Change in other current assets	(2,565)	(304)	(1,435)
Net Cash Provided by (Used in) Operating Activities	14,958	9,033	(3,623)
Cash Flows from Investing Activities:			
Purchases of marketable securities	—	(99,177)	(176,745)
Proceeds from maturities of marketable securities	55,498	48,499	—
Cash dividend from CME	237,000	245,000	172,122
Net Cash Provided by (Used in) Investing Activities	292,498	194,322	(4,623)
Cash Flows from Financing Activities:			
Cash dividends to shareholders	(63,260)	(35,066)	(20,630)
Exercise of stock options	6,956	6,048	7,878
Proceeds from employee stock purchase plan	415	—	—
Net Cash Used in Financing Activities	(55,889)	(29,018)	(12,752)
Net change in cash and cash equivalents	251,567	174,337	(20,998)
Cash and cash equivalents, beginning of year	274,279	99,942	120,940
Cash and Cash Equivalents, End of Year	$ 525,846	$ 274,279	$ 99,942

Chicago Mercantile Exchange Holdings Inc. (CME Holdings) was organized in August 2001 to be the holding company for Chicago Mercantile Exchange Inc. (CME). On December 3, 2001, the reorganization of CME into a holding company structure was completed by merging CME into a wholly owned subsidiary of CME Holdings. CME Holdings, the registrant, has no long-term liabilities, material contingencies or guarantees.

CME Holdings accounts for its investment in CME under the equity method.

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Chicago Mercantile Exchange Holdings Inc. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts
For the Years Ended December 31, 2005, 2004 and 2003
(in thousands)

Description	Balance at Beginning of Year	Charged (Credited) to Costs and Expenses	Charged to Revenues	Deductions (1)	Balance at End of Year
Year Ended December 31, 2005					
Allowance for doubtful accounts	$ 1,089	$ (129)	$ —	$ (132)	$ 828
Accrued fee adjustments	3,113	—	12,637	(14,522)	1,228
Year Ended December 31, 2004:					
Allowance for doubtful accounts	$ 866	$ 343	$ —	$ (120)	$ 1,089
Accrued fee adjustments	1,986	—	17,362	(16,235)	3,113
Year Ended December 31, 2003:					
Allowance for doubtful accounts	$ 1,232	$ (95)	$ —	$ (271)	$ 866
Accrued fee adjustments	3,137	—	13,209	(14,360)	1,986

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

(b) Exhibits

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated as of October 1, 2001, between Chicago Mercantile Exchange Inc., Chicago Mercantile Exchange Holdings Inc. and CME Merger Subsidiary Inc. (incorporated by reference to Exhibit 2.1 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 333-66988).
3.1	Amended and Restated Certificate of Incorporation of Chicago Mercantile Exchange Holdings Inc. (incorporated by reference to Exhibit 3.1 to Chicago Mercantile Exchange Holdings Inc.'s Current Report on Form 8-K, filed with the SEC on December 4, 2001, File No. 333-66988).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Chicago Mercantile Exchange Holdings Inc. (incorporated by reference to Exhibit 3.2 to Chicago Mercantile Exchange Holdings Inc.'s Current Report on Form 8-K, filed with the SEC on May 16, 2002, File No. 000-33379).
3.3	Third Amended and Restated Bylaws of Chicago Mercantile Exchange Holdings Inc., as amended March 2, 2005 (incorporated by reference to Exhibit 99.1 to Chicago Mercantile Exchange Holdings Inc.'s Current Report on Form 8-K, filed with the SEC on March 4, 2005, File No. 001-31553).
4.1	Rights Agreement, dated as of November 30, 2001, between Chicago Mercantile Exchange Holdings Inc. and Mellon Investor Services LLC (incorporated by reference to Exhibit 4.1 to Chicago Mercantile Exchange Holding's Inc.'s Form 8-A, filed with the SEC on December 4, 2001, File No. 000-33379), including First Amendment thereto, dated as of November 13, 2002, between Chicago Mercantile Exchange Holdings Inc., Mellon Investor Services, LLC and Computershare Investor Services, LLC (incorporated by reference to Exhibit 5 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-A, filed with the SEC on November 29, 2002, File No. 001-31553); Second Amendment thereto, dated October 26, 2005, by and between Chicago Mercantile Exchange Holdings Inc. and Computershare Investor Services, LLC (incorporated by reference to Exhibit 4.1 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-K filed with the SEC on October 27, 2005, File No. 001-31553).
10.1**	Chicago Mercantile Exchange Holdings Inc. Amended and Restated Omnibus Stock Plan, amended and restated effective as April 23, 2002 and as further amended on February 5, 2003 (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).
10.2**	Chicago Mercantile Exchange Inc. Senior Management Supplemental Deferred Savings Plan, including First Amendment thereto, dated December 14, 1994, Second Amendment thereto, dated December 8, 1998 and Administrative Guidelines thereto (incorporated by reference to Exhibit 10.2 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 333-95561).
10.3**	Chicago Mercantile Exchange Inc. Directors' Deferred Compensation Plan, including First Amendment thereto, dated December 8, 1998 (incorporated by reference to Exhibit 10.3 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 333-95561) and the Second Amendment thereto, effective as of November 5, 2003 and the Third Amendment thereto, dated December 23, 2003 (both of which are incorporated by reference to Exhibit 10.3 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-K, filed with the SEC on March 10, 2005, File No. 001-31553).
10.4**	Chicago Mercantile Exchange Inc. Supplemental Executive Retirement Plan, including First Amendment thereto, dated December 31, 1996, Second Amendment thereto, dated January 14, 1998 and Third Amendment thereto, dated December 1998 (incorporated by reference to Exhibit 10.4 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 333-95561); Fourth Amendment thereto, dated December 31, 2003 (incorporated by reference to Exhibit 10.4 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-K, filed with the SEC on March 10, 2005, File No. 001-31553).
10.5**	Chicago Mercantile Exchange Inc. Supplemental Executive Retirement Trust, including First Amendment thereto, dated September 7, 1993 (incorporated by reference to Exhibit 10.5 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 333-95561).
10.6**	Form of Equity Grant Letter for Executive Officers (incorporated by reference to Exhibit 10.1 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on November 9, 2004, File No. 001-31553).

10.7***	Amended and Restated License Agreement, effective as of September 20, 2005, by and between Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.1 to Chicago Mercantile Exchange Holdings Inc. Form 10-Q, filed with the SEC on November 4, 2005, File No. 000-33379).
10.8	Intentionally Omitted.
10.9***	License Agreement, effective as of October 9, 2003, between The Nasdaq Stock Market, Inc., a subsidiary of National Association of Securities Dealers, Inc., and Chicago Mercantile Exchange Inc. (incorporated by reference to Chicago Mercantile Exchange Holdings Inc.'s Form 10-K, filed with the SEC on March 11, 2004, File No. 001-31553), including the amendment dated April 26, 2005 (incorporated by reference to Exhibit 10.1 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on August 4, 2005, File No. 001-31553) and the amendment dated June 22, 2005 (incorporated by reference to Exhibit 10.2 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on August 4, 2005, File No. 001-31553).
10.10*	Central Services System (NSC) Software License and Development Agreement, effective June 5, 1997, including First Amendment thereto, effective February 24, 1998, Second Amendment thereto, effective July 13, 1998, and Third Amendment thereto, effective January 30, 2001, between SBF Bourse de Paris and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.10 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 333-66988).
10.11*	Amendment, dated December 26, 2002, to the Central Services System (NSC) Software License and Development Agreement, effective June 5, 1997, between SBF Bourse de Paris and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.11 to Chicago Mercantile Exchange Holdings Inc. Form 10-K, filed with the SEC on March 21, 2003, File No. 001-31553).
10.12*	CLEARING 21 Software Marketing and Distribution Agreement Restatement, effective January 30, 2001, between Societe Des Bourses Francaises, and its successor, Euronext-Paris, and Chicago Mercantile Exchange Inc. and New York Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.12 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on October 1, 2001, File No. 333-66988).
10.13*	Non-Termination Agreement, effective December 26, 2002, Regarding the CLEARING 21 Software Marketing and Distribution Agreement Restatement, effective January 30, 2001, between Societe Des Bourses Francaises, and its successor, Euronext-Paris, and Chicago Mercantile Exchange Inc. and New York Mercantile Exchange Inc. and Amendment No. 1, dated December 26, 2002, to the CLEARING 21 Software Marketing and Distribution Agreement Restatement, effective January 30, 2001, between Societe Des Bourses Francaises, and its successor, Euronext-Paris, and Chicago Mercantile Exchange Inc. and New York Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.13 to Chicago Mercantile Exchange Holdings Inc. Form 10-K, filed with the SEC on March 21, 2003, File No. 001-31553).
10.14	Lease, dated as of November 11, 1983, between Chicago Mercantile Exchange Trust (successor to CME Real Estate Co. of Chicago, Illinois) and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.14 to Chicago Mercantile Exchange Inc.'s Form S-4 dated February 24, 2000, File No. 333-95561), first amendment thereto, dated as of December 6, 1989 (incorporated by reference to Exhibit 10.14 to Chicago Mercantile Exchange Inc.'s Form S-4 dated February 24, 2000, File No. 333-95561) and second amendment thereto made as of October 7, 2004 (incorporated by reference to Exhibit 99.1 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-K, filed with the SEC on October 19, 2004, File No. 001-31553).
10.15	Lease, dated March 31, 1988, between EOP—10 & 30 South Wacker, L.L.C., as beneficiary of a land trust, dated October 1, 1997, and known as American National Bank and Trust Company of Chicago Trust No. 123434 (as successor in interest to American National Bank and Trust Company of Chicago, not individually but solely as trustee under Trust Agreement dated June 2, 1981 and known as Trust No. 51234) and Chicago Mercantile Exchange Inc. relating to 10 South Wacker Drive, including First Amendment thereto, dated as of November 1, 1999 (incorporated by reference to Exhibit 10.15 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561), second amendment thereto, dated January 7, 2002, Third Amendment thereto, dated May 3, 2002, Fourth Amendment thereto, dated August 22, 2002, Fifth Amendment thereto, dated October 1, 2002 (incorporated by reference to Exhibit 10.12 to Chicago Mercantile Exchange Holdings Inc.'s Form S-1, filed with the SEC on December 2, 2002, File No. 333-90106), Sixth Amendment thereto, dated as of May 1, 2003 (incorporated by reference to Exhibit 10.3 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on November 9, 2004, File No. 001-31553), the Seventh Amendment thereto, dated as of April 20, 2004 (incorporated by reference to Exhibit 10.3 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on November 9, 2004, File No. 001-31553) and the Eight Amendment thereto, dated as of October 29, 2004 (incorporated by reference to Exhibit 10.3 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on November 9, 2004, File No. 001-31553).

10.16	Lease, dated May 11, 1981, between EOP—10 & 30 South Wacker, L.L.C., as beneficiary of a land trust, dated October 1, 1997, and known as American National Bank and Trust Company of Chicago Trust No. 123434-06 (as successor in interest to American National Bank and Trust Company of Chicago, not individually but solely as trustee under Trust Agreement dated March 20, 1980 and known as Trust No. 48268) and Chicago Mercantile Exchange Inc. relating to 30 South Wacker Drive, including First Amendment thereto, dated as of February 1, 1982, Second Amendment thereto, dated as of April 26, 1982, Third Amendment thereto, dated as of June 29, 1982, Fourth Amendment thereto, dated as of July 28, 1982, Fifth Amendment thereto, dated as of October 7, 1982, Sixth Amendment thereto, dated as of July 5, 1983, Seventh Amendment thereto, dated as of September 19, 1983, Eighth Amendment thereto, dated as of October 17, 1983, Ninth Amendment thereto, dated as of December 3, 1984, Tenth Amendment thereto, dated as of March 16, 1987, Eleventh Amendment thereto, dated as of January 1, 1999, Twelfth Amendment thereto, dated as of June 30, 1999 (incorporated by reference to Exhibit 10.16 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 333-95561).
10.17	Credit Agreement, dated as of October 15, 2005, among Chicago Mercantile Exchange Inc., each of the banks from time to time party thereto and the Bank of New York, as collateral agent (incorporated by reference to Exhibit 10.2 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-K, filed with the SEC on October 19, 2005, File No. 001-31553).
10.18**	Agreement, dated November 7, 2003 between Chicago Mercantile Exchange Inc. and Craig S. Donohue (incorporated by reference to Exhibit 10.19 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-K, filed with the SEC on March 11, 2004, File No. 001-31553).
10.19**	Agreement, dated November 7, 2003 between Chicago Mercantile Exchange Inc. and Phupinder Gill (incorporated by reference to Exhibit 10.19 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-K, filed with the SEC on March 11, 2004), including the First Amendment thereto, effective as of December 20, 2005 (incorporated by reference to Exhibit 10.1 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-K, filed with the SEC on December 23, 2005, File No. 000-33379).
10.20**	Chicago Mercantile Exchange Holdings Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.1 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on August 11, 2003, File No. 001-31553).
10.21***	Clearing Services Agreement, dated April 16, 2003, between Chicago Mercantile Exchange Inc. and The Board of Trade of the City of Chicago, Inc. (incorporated by reference to Exhibit 10.3 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on August 11, 2003, File No. 001-31553) and the first amendment thereto, dated as of March 1, 2004 (incorporated by reference to Exhibit 10.1 to the Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on May 5, 2004, File No. 001-31553).
10.22**	Consulting Agreement between Chicago Mercantile Exchange Holdings Inc. and Jack Sandner, dated October 10, 2005 (incorporated by reference to Exhibit 10.4 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-Q, filed with the SEC on November 4, 2005, File No. 000-33379).
10.23**	Agreement, dated November 21, 2003, between Chicago Mercantile Exchange Inc. and James Krause (incorporated by reference to Exhibit 10.23 to Chicago Mercantile Exchange Holdings Inc.'s Form 10-K, filed with the SEC on March 11, 2004, File No. 001-31553), including the First Amendment thereto, effective on June 1, 2004.
10.24	Consulting Agreement between Chicago Mercantile Exchange Holdings Inc. and Leo Melamed, dated January 31, 2005 (incorporated by reference to Exhibit 99.1 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-K, filed with the SEC on February 3, 2005, File No. 001-31553).
10.25**	2005 Director Stock Plan (incorporated by reference to Exhibit 99.1 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-K, filed with the SEC on April 28, 2005, File No. 001-31553).
10.26**	Form of Equity Stipend Grant Letter for Non-Executive Directors (incorporated by reference to Exhibit 99.2 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-K, filed with the SEC on April 28, 2005, File No. 001-31553).

10.27**	Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.3 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-K, filed with the SEC on April 28, 2005, File No. 001-31553).
10.28	Consulting Agreement between Chicago Mercantile Exchange Holdings Inc. and Leo Melamed, dated November 14, 2005.
10.29**	Agreement, effective as of February 6, 2006, between Chicago Mercantile Exchange Inc. and John P. Davidson III (incorporated by reference to Exhibit 10.1 to Chicago Mercantile Exchange Holdings Inc.'s Form 8-K, filed with the SEC on February 8, 2006, File No 000-33379).
13.1	Specified portions of Chicago Mercantile Exchange Holdings Inc.'s annual report to shareholders for the year ended December 31, 2005.
21.1	List of Subsidiaries of Chicago Mercantile Exchange Holdings Inc.
23.1	Consent of Ernst & Young LLP.
31.1	Section 302 Certification – Craig S. Donohue, Chief Executive Officer.
31.2	Section 302 Certification – James E. Parisi– Managing Director and Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

** Management contract or compensatory plan or arrangement.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago and State of Illinois on the 6th day of March, 2006.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

By: /s/ James E. Parisi
James E. Parisi
Managing Director and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 6, 2006.

Signature	Title
/s/ Craig S. Donohue Craig S. Donohue	Chief Executive Officer and Director
/s/ Terrence A. Duffy Terrence A. Duffy	Chairman of the Board and Director
/s/ James E. Parisi James E. Parisi	Managing Director and Chief Financial Officer
/s/ Nancy W. Goble Nancy W. Goble	Managing Director and Chief Accounting Officer
/s/ Dennis H. Chookaszian Dennis H. Chookaszian	Director
/s/ Martin J. Gepsman Martin J. Gepsman	Director
/s/ Daniel R. Glickman Daniel R. Glickman	Director
/s/ Elizabeth Harrington Elizabeth Harrington	Director
/s/ Bruce F. Johnson Bruce F. Johnson	Director
/s/ Gary M. Katler Gary M. Katler	Director
/s/ Patrick B. Lynch Patrick B. Lynch	Director
/s/ Leo Melamed Leo Melamed	Director

Signature	Title
/s/ William P. Miller II William P. Miller II	Director
/s/ James E. Oliff James E. Oliff	Director
/s/ Alex J. Pollock Alex J. Pollock	Director
/s/ William G. Salatich, Jr. William G. Salatich, Jr.	Director
/s/ John F. Sandner John F. Sandner	Director
/s/ Terry L. Savage Terry L. Savage	Director
/s/ Myron S. Scholes Myron S. Scholes	Director
/s/ William R. Shepard William R. Shepard	Director
/s/ Howard J. Siegel Howard J. Siegel	Director
/s/ David J. Wescott David J. Wescott	Director

Exhibit 10.23

AMENDMENT TO EMPLOYMENT AGREEMENT

This is the First Amendment to the Employment Agreement (the “Agreement”) between James Krause (“Employee”) and Chicago Mercantile Exchange Inc. (“Employer”), which became effective on November 21, 2003.

This First Amendment is effective June 1, 2004. Except as set forth herein, all other provisions of the Agreement shall remain unchanged and in full force and effect.

Paragraph 1:

Paragraph 1 of the Agreement is hereby amended as follows to reflect Employee’s new position as Chief Information Officer:

Employment. Subject to the terms of the Agreement, Employer hereby agrees to employ Employee during the Agreement Term as Managing Director, Chief Information Officer, and Employee hereby accepts such employment. Employee shall report to the Employer’s President and Chief Operating Officer. Employee shall perform those duties as determined by CME’s President and Chief Operating Officer, including, but not be limited to, the performance of all duties associated with executive oversight and management of the Employer’s Information Technology 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 President and Chief Operating Officer.

Paragraph 2:

The Agreement Term defined in Paragraph 2 of the Agreement is hereby extended through December 31, 2007.

Paragraph 3(a):

The annual Base Salary defined in Paragraph 3(a) of the Agreement is hereby increased to not less than $300,000.00 per year.

CHICAGO MERCANTILE EXCHANGE INC.	**JAMES KRAUSE**
By: C.S. Donohue	By: James Krause
Title: CEO	Title: Managing Director Chief Information Officer

Exhibit 10.28

Chicago Mercantile Exchange

Terrence A. Duffy
Chairman of the Board

20 South Wacker Drive
Chicago, IL 60606-7499
www.cme.com

312/930.2000 *tel*
312/930.2040 *fax*
tduffy@cme.com

November 14, 2005

Mr. Leo Melamed
Melamed & Associates
10 South Wacker Drive, Suite 3275
Chicago, IL 60606

Dear Mr. Melamed:

This letter will confirm the terms of your agreement (the "Agreement") with the undersigned Chicago Mercantile Exchange Holdings Inc. ("CME"), with respect to your performance of consulting services for CME and its subsidiaries and affiliates (collectively with CME, the "CME Entities") commencing on the date you sign this Agreement. This Agreement is separate from that certain consulting agreement between you and CME dated January 31, 2005 (the "Existing Consulting Agreement") and the terms and conditions set forth herein do not have any effect on the Existing Consulting Agreement.

1. Term. The term of this Agreement shall be effective as of January 1, 2005 and shall end upon your retirement from the Board of Directors of CME (the "Term"). This agreement shall terminate upon your death or "permanent disability." For purposes of this Agreement, "permanent disability" shall mean any mental or physical disability or illness which results in your being unable to substantially perform your duties for a continuous period of 150 days or for periods aggregating 180 days of any 365 day period.

2. Scope of Consulting Services. During the term of this Agreement, you will render consulting services to CME and CME Entities upon request with respect to the financial services industry and related matters and other matters in which you have expertise. In providing such services, you shall comply with all applicable laws, statutes, regulations, orders, codes and other acts of any applicable governmental authority and the policies, standards and regulations of CME and the CME Entities. You will personally perform all of the consulting services required under this Agreement. Any request for consulting services under this Agreement will be made by the Board of Directors or the Chief Executive Officer of CME. The Board of Directors or the Chief Executive Officer insofar as reasonably practicable, shall consider your convenience in the timing of his requests, and your failure or inability, by

reason of temporary illness or other cause beyond your control or because of your absence for reasonable periods, to respond to such requests during any such temporary period shall not be deemed to constitute a default on your part in the performance of your consulting services under this Agreement.

3. Consulting Fee. In consideration for your consulting services and the non-compete provisions of this Agreement, CME shall pay to you $300,000 per annum during the Term effective, payable in four equal installments of $75,000 and a pro-rata amount for periods less than a full three month period. The aggregate installments for 2005 shall be paid as soon as practicable following your acceptance of this Agreement, and all subsequent installments, beginning in January 2006, shall be due and payable on or about the first day of each subsequent three month period during the term of this Agreement. This consulting fee is in lieu of the stipend you currently receive in your capacity as Senior Policy Advisor. Subsequent to the effective date of this Agreement, you shall receive the standard compensation and benefit package awarded to CME non-executive directors, except as specifically provided in paragraph 4, hereof.

4. Expense Reimbursement /Other Benefits. CME shall reimburse you for, or advance to you, all reasonable and necessary out-of-pocket travel and other expenses incurred by you at the specific request of a CME Entity and otherwise consistent with CME expense reimbursement policies from time to time in effect in connection with your performance of consulting services hereunder. Additionally, during the Term, CME shall reimburse you up to $150,000 annually for non-travel expenses related to your duties as a consultant, including office and secretarial expenses. Such expenses shall be reimbursed or advanced promptly after your submission to CME of expense statements, including copies of receipts and other documents verifying the amounts included therein, in such reasonable detail as CME may require.

5. Nature of the Consulting Relationship. You will perform the consulting services required under this Agreement as an independent contractor to, and not as an agent or employee of, CME or any other CME Entity. Except as and to the extent that CME or another CME Entity, as the case may be, may otherwise prescribe in writing, you shall not have any authority to negotiate or to conclude any contracts on behalf of, or otherwise bind, CME or any other CME Entity. You shall be solely responsible for and shall pay all amounts of applicable federal and state income and self employment taxes. You shall not be eligible to participate in any employee benefit, group insurance or compensation plans or programs maintained by any CME Entity, except for those plans or programs available to other non-executive directors that you may participate in as a director. Neither CME nor any other CME Entity shall provide Social Security, unemployment compensation, disability insurance, workers' compensation or similar coverage, or any other statutory employment benefit, to you.

6. Assisting Competitors. During the term of this Agreement and for a period of one year thereafter, you will not, without the prior written consent of CME (a) render any services whether or not for compensation, to other individuals, firms, corporations or entities in connection with any matter that involves material interests adverse to any CME Entity, (b) directly or indirectly compete with any CME Entity anywhere in the world or (c) engage in any business or activity that you reasonably believe to be materially detrimental to the business or interests of any CME Entity.

7. Indemnification. CME agrees to indemnify you if you are a party or are threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that you are providing consulting services under this Agreement. The indemnification shall be from and against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by you or on your behalf in connection with such action, suit or proceeding and any appeal therefrom, but shall only be provided if you acted in good faith and in a manner you reasonably believed to be in or not opposed to the best interests of CME, and, with respect to any criminal action, suit or proceeding, had no reasonable cause to believe your conduct was unlawful.

8. Non-Waiver. The failure by either party to exercise any of its or his rights in the event of a breach of this Agreement by the other party shall not be construed as a waiver of such breach or any subsequent breach, or prevent either party from later enforcing strict compliance with this Agreement as to such breach or any subsequent breach.

9. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be void or unenforceable for any reason, such provision shall be modified or deleted in such manner so as to make this Agreement, as modified, legal and enforceable, and the remaining provisions hereof shall continue in full force and effect.

10. Notices. All notices and other required communications under this Agreement ("Notices") shall be in writing, and shall be sent to a party at the address set forth below such party's signature block below. A party may change its address by sending Notice to the other party of the new address. Notices shall be given: (a) by personal delivery to the other party; (b) by facsimile, with a confirmation sent by registered or certified mail, return receipt requested; (c) by registered or certified mail, return receipt requested; or (d) by express courier (e.g. DHL, Federal Express, etc.). Notices shall be effective and shall be deemed delivered: (i) if by personal delivery, on the date of the personal delivery; (ii) if by facsimile, on the date stated in the electronic confirmation, delivered during normal business hours (8:00 a.m. to 5:00 p.m. at recipient's location), and, if not delivered during normal business hours, on the next business day following delivery; (iii) if solely by mail, on the date of receipt as stated on the return receipt; or (iv) if by express courier, on the date signed for or rejected as reflected in the courier's delivery log.

11. Miscellaneous. This Agreement is personal to you, and you shall not assign this Agreement without CME's prior written consent. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois. This Agreement contains the entire understanding between CME and yourself with respect to the subject matter hereof and supercedes and voids all prior negotiations, discussions, and agreements, whether written or oral. This Agreement may not be amended, modified or extended other than by a written agreement executed by the parties hereto.

* * *

Please confirm that the foregoing Agreement correctly sets forth the agreement between CME and yourself by signing and returning to CME one of the enclosed copies of this letter.

Very truly yours,

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

Chairman Of The Board
Address for Notice Purposes:

Chicago Mercantile Exchange Holdings Inc.
20 South Wacker Drive
Chicago, IL 60606
Attention: General Counsel

Agreed and Accepted as of
November ____, 2005

Leo Melamed

Address for Notice Purposes:

Melamed & Associates
10 South Wacker Drive, Suite 3275
Chicago, IL 60606

SELECTED FINANCIAL DATA AND KEY STATISTICAL INFORMATION

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

(in millions, except per share data)	YEAR ENDED OR AT DECEMBER 31 2005	2004	2003	2002	2001
Income Statement Data:					
Net revenues[1]	**$ 920.5**	$ 733.8	$ 536.0	$ 453.2	$ 387.2
Expenses	**412.1**	366.1	329.9	298.9	261.4
Net income	**306.9**	219.6	122.1	94.1	75.1
Earnings per share:[2]					
Basic	**$ 8.94**	$ 6.55	$ 3.74	$ 3.24	$ 2.61
Diluted	**8.81**	6.38	3.60	3.13	2.57
Cash dividends per share	**1.84**	1.04	0.63	0.60	—
Balance Sheet Data:					
Total assets	**$3,969.4**	$2,857.5	$4,872.6	$3,355.0	$2,066.9
Shareholders' equity	**1,118.7**	812.6	563.0	446.1	248.4

The following table presents key statistical information on volume of contracts traded, expressed in round turn trades and excluding our TRAKRS and auction–traded products, as well as information on notional value of contracts traded:

(in thousands except notional value)	YEAR ENDED OR AT DECEMBER 31 2005	2004	2003	2002	2001
Average Daily Volume:					
Product Lines:					
Interest rate	**2,380**	1,705	1,234	1,226	1,092
Equity	**1,394**	1,164	1,057	825	425
Foreign exchange	**334**	202	135	96	89
Commodity	**50**	40	35	30	34
Total Average Daily Volume	**4,158**	3,111	2,461	2,177	1,640
Method of Trade:					
Open outcry	**1,214**	1,281	1,382	1,398	1,282
CME Globex	**2,895**	1,786	1,041	747	326
Privately negotiated	**49**	44	38	32	32
Total Average Daily Volume	**4,158**	3,111	2,461	2,177	1,640
Other Data:					
Total Notional Value (in trillions)	**$ 638**	$ 463	$ 334	$ 329	$ 294
Total Trading Volume	**1,047,909**	787,186	620,289	548,667	411,712
Open Interest at Year End (contracts)	**30,083**	22,478	16,301	12,483	15,039

1 Revenues are net of securities lending interest expense. Securities lending transactions began in June 2001.

2 Earnings per share are presented as if common stock issued on December 3, 2001 as part of our reorganization into a holding company structure had been outstanding for all periods presented.

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

INTRODUCTION

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is organized as follows:

Overview: Includes a discussion of our business structure; current economic and industry-wide trends relevant to our business; the strategy we utilize to address opportunities, challenges and risks; and the primary sources of revenue as well as expenditures required to generate that revenue.

Critical Accounting Policies: Provides an explanation of accounting estimates and assumptions material to our financial results.

Recent Accounting Pronouncements: Includes an evaluation of recent accounting pronouncements and their potential impact on our financial results.

Results of Operations for 2005 Compared with 2004.

Results of Operations for 2004 Compared with 2003.

Liquidity and Capital Resources: Includes a discussion of our future cash requirements, capital resources and expenditures and financing arrangements.

References in this discussion and analysis to "we" and "our" are to Chicago Mercantile Exchange Holdings Inc. and its consolidated subsidiaries, collectively. References to our "exchange" are to Chicago Mercantile Exchange Inc. and its subsidiaries, collectively.

OVERVIEW

Business Structure

Our exchange was organized in 1898 as a not-for-profit membership organization. On November 13, 2000, we became a for-profit corporation by converting membership interests into shares of common stock. On December 3, 2001, we completed our reorganization into a holding company structure. As a result of this reorganization, Chicago Mercantile Exchange Inc. (CME) became a wholly owned subsidiary of Chicago Mercantile Exchange Holdings Inc. (CME Holdings). In our reorganization, CME shareholders exchanged their shares for shares of CME Holdings. After the reorganization, these shareholders owned the same percentage of CME Holdings common stock that they previously owned of CME common stock. CME shareholders retained their trading privileges in CME. In December 2002, CME Holdings completed the initial public offering of its Class A common stock. CME Holdings' Class A common stock is listed on the New York Stock Exchange and The Nasdaq National Market under the ticker symbol "CME."

We are the largest futures exchange in the United States for the trading of futures and options on futures contracts, as measured by 2005 annual trading volume. For the first time, our annual trading volume for the year surpassed one billion contracts.

Futures contracts and options on futures contracts provide investors with vehicles for protecting against, and potentially profiting from, price changes in financial instruments and physical commodities. Futures contracts are legally binding standardized agreements to buy or sell a financial instrument or commodity, specifying quantity and quality at a set price on a future date. Certain futures contracts, such as commodities and foreign exchange products, may result in physical delivery of the product traded. Other futures contracts, including those for equity index and interest rate products, are cash settled and do not involve physical delivery. To provide additional flexibility to the investment community, we also offer trading in options on futures contracts. These contracts offer the customer the right, but not the obligation, to buy or sell an underlying futures contract at a particular price.

We are a global exchange with customer access available in more than 70 countries. Our customers consist of professional traders, financial institutions, individual and institutional investors, major corporations, manufacturers, producers, supranational entities and governments. Customers include both members of the exchange as well as non-members.

We offer our customers the opportunity to trade futures contracts and options on futures contracts on a range of products including those based on interest rates, equities, foreign exchange, commodities and alternative investments. Our products provide a means for hedging, speculating and allocating assets. We identify new products by monitoring economic trends and their impact on the risk management and speculative needs of our existing and prospective customers.

Our four major product lines are traded through our CME Globex electronic trading platform and our open outcry trading floors. Both of these execution facilities offer our customers immediate trade execution and price transparency. In addition, trades can be executed through privately negotiated transactions that are cleared and settled through our clearing house.

Our clearing house clears, settles and guarantees every futures and options on futures contract traded through our exchange as well as those traded by the Chicago Board of Trade (CBOT). Ownership and control of our own clearing house enables us to capture the revenue associated with both the trading and clearing of our products. Ownership also enables us to more quickly and efficiently bring new products to market through coordination of our clearing functions with our product development, technology, market regulation and risk management activities.

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

To ensure performance of counterparties, we establish and monitor financial requirements for our clearing firms and mark-to-market their positions at least twice a day. We also set minimum performance bond requirements for our traded products. In the unlikely event of a payment default by a clearing firm, we would first apply assets of the clearing firm to cover its payment obligation. These assets include security deposits, performance bonds and any other available assets, such as the proceeds from the sale of pledged Class A and Class B common stock and associated trading rights of the clearing firm at our exchange that are owned by or assigned to the clearing firm. In addition, we would make a demand for payment pursuant to any applicable guarantee provided to the exchange by the parent of a clearing firm. Thereafter, if the payment default remains unsatisfied, we would use CME's surplus funds, security deposits of other clearing firms and funds collected through an assessment against all other solvent clearing firms to satisfy the deficit.

Industry Trends

Futures and options markets have become a global growth industry, with a compound annual growth rate of 43% from 2002 through June 2005 based on notional value. At the end of 2005, there were 57 futures exchanges located in 30 countries, including nine futures exchanges in the United States. By comparison, the over-the-counter (OTC) derivatives markets have grown at a compound annual growth rate of 32% during that same period. There are a number of secular trends that we believe will continue to drive growth and innovation in our industry. They include:

- A greater need for risk management and hedging tools in an increasingly uncertain global, political and economic climate;
- Growing investor sophistication regarding derivatives and risk transfer markets;
- A shift in asset management strategy away from passive buy-and-hold equity investment strategies towards more active strategies including those involving alternative investments and asset classes; and
- Growth in hedge funds and managed funds as alternative investment vehicles designed to generate more trading-based returns than investing on the basis of other market strategies. These types of alternative investment vehicles often utilize exchange-traded derivatives contracts.

Changing market dynamics have also led to increasing competition in all aspects of our business from both domestic and international sources. We face competition from other futures, securities and securities option exchanges; OTC markets and clearing organizations; consortia formed by our members and large market participants; alternative trade execution facilities; and technology firms, including market data distributors and electronic trading system developers.

We expect competition to continue to intensify, particularly as a result of technological advances and reductions in the regulatory requirements for the development of products and markets that are competitive with our own. Additional factors that may intensify competition in the future include:

- An increase in the number of for-profit exchanges;
- The consolidation of our customer or intermediary base;
- An increased demand for electronic trading and electronic order routing services; and
- The increased ability of other exchanges to leverage their technology investment and electronic distribution to enter new markets and list products that compete with our own.

Strategy

Our current strategy specifically focuses on leveraging our benchmark products, scalable infrastructure and clearing and trade matching technologies to benefit customers. It includes coordinated efforts to:

- Grow our existing business by expanding customer access to our markets and services, enhancing and offering additional trade execution choices, and improving our market data products;
- Broaden our product range through innovative new products and optimization of existing products, based on research and development in collaboration with customers;
- Provide third-party transaction processing, clearing and related services; and
- Explore new business opportunities such as joint ventures, alliances and selective acquisitions of businesses and technologies.

This strategy will enable us to continue to evolve into a more broadly diversified financial exchange that offers trading and clearing solutions across additional products and asset classes.

In conjunction with our demutualization and corporate reorganization in late 2000, we adopted a for-profit business strategy that has been integrated into our operations. As part of this integration process, we have examined and will continue to examine, and potentially modify, the fees we charge for our products in order to increase revenues and profitability, as well as provide incentives for members and non-members to use our markets to further enhance the liquidity of these markets. In addition, we have maintained a focus on expense discipline and specifically concentrated our expenditures on projects designed to enhance our profitability for the benefit of our shareholders.

Primary Sources of Revenue

Clearing and transaction fees. A significant portion of our revenue is derived from clearing and transaction fees, which include clearing fees, CME Globex electronic trading fees and other volume-related charges for contracts executed through our trading venues. Because clearing and transaction fees are assessed on a per-contract side basis, revenues and profitability fluctuate with volume changes. In addition to the secular trends discussed previously, our revenues and trading volume tend to increase during global or domestic periods of economic and geopolitical uncertainty. This is because our customers seek to manage their exposure to, or speculate on, the market volatility resulting from uncertainty. In addition, our volume is seasonal and we typically experience higher sequential volume during the first and second quarters followed by decreases in the third and fourth quarters of the calendar year.

While volume has a significant impact on our clearing and transaction fees revenue, there are four other factors that also influence this source of revenue:

- Rate structure;
- Mix of products traded;
- Trading venue; and
- The percentage of trades executed by customers who are members compared with non-member customers.

Rate structure. Certain customers benefit from volume discounts and limits on fees as part of our effort to increase liquidity in our markets. Changes in fees, volume discounts, limits on fees and member discounts, including some that may be significant, may occur periodically based on our review of operations and the business environment.

As a result of their rate structure, Total Return Asset Contracts (TRAKRS) and auction-traded products are excluded from disclosures of trading volume and average rate per contract in this discussion and analysis. Clearing and transaction fees on these products are minimal relative to other CME products. TRAKRS are exchange-traded non-traditional futures contracts that trade electronically on the CME Globex electronic platform. Auction products, which include CME economic derivatives, were introduced in September 2005 and are traded in CME Auction Markets.

Product mix. We offer trading of futures and options on futures contracts on a wide-ranging set of products based on interest rates, equities, foreign exchange, commodities and alternative investments. Rates are determined by product in order to optimize revenue on existing products and support introduction of new products by encouraging trading volume.

Trading venue. Our exchange is an international marketplace that brings together buyers and sellers through our CME Globex electronic trading platform as well as through open outcry trading on our trading floors and privately negotiated transactions. Any customer guaranteed by a clearing firm is able to obtain direct access to our CME Globex platform. Open outcry trading is conducted exclusively by our members.

Typically, trades executed through CME Globex are charged fees for using the electronic trading platform in addition to the clearing fees assessed on all transactions executed on our exchange. Trades executed as privately negotiated transactions also incur additional charges beyond the clearing fees assessed on all transactions.

Member/non-member mix. Generally, member customers are charged lower fees than our non-member customers. Holding all other factors constant, revenue decreases if the percentage of trades executed by members increases, and increases if the percentage of non-member trades increases.

We attempt to mitigate the risk of unpredictable volume decreases by targeting specific changes to clearing and transaction fees, creating volume incentives, opening access to new markets and introducing new products.

Processing services. To further diversify the range of services we offer, we have entered into clearing and transaction processing agreements with other exchanges. This revenue will fluctuate as the trading volumes of these exchanges fluctuate.

The most significant portion of this revenue is derived from our agreement with the CBOT. In April 2003, we entered into an agreement to provide clearing and related services for CBOT futures and options on futures contracts. We began to provide these services for some products in November 2003, and as of January 2004, we began to clear all CBOT products. The current agreement expires in January 2009.

The remaining portion of this revenue includes fees for listing new crude oil and natural gas futures products on the CME Globex platform for the New York Mercantile Exchange (NYMEX) and fees for processing single stock futures trades for certain CME clearing firms that execute trades at OneChicago, LLC (OneChicago). OneChicago is our joint venture in single stock futures and futures on narrow-based stock indexes that initiated trading in November 2002. Our agreement with NYMEX has expired and we no longer listed NYMEX products as of November 18, 2005.

Quotation data fees. We receive quotation data fees from the sale of our market data. Our market data services are provided to professional and non-professional customers.

Subscribers can obtain access to real-time, delayed and end-of-day quotation, trade and market summary data for our products. Users of our basic service pay a flat monthly fee for each screen, or device, displaying our market data. Alternatively, customers can subscribe to market data provided on a limited group of products, such as our CME E-mini products. The fees for this service is a relatively nominal flat rate per month.

Pricing for our market data services is based on the value of the service provided, our cost structure for the service and the price of comparable services offered by our competitors. Increases or decreases in our quotation data fees revenue is influenced by changes in our price structure for existing market data offerings, introduction of new market data services and changes in the number of subscribers. General economic factors that affect the financial services industry, which constitutes our primary customer base, also influence revenue from our market data fees.

Other sources. Other sources of revenue include access fees, communication fees, investment income and securities lending interest income.

- Access fees are the connectivity charges to customers of our CME Globex platform, to our market data vendors and to direct market data customers. The fee each customer is charged varies depending on the type of connection provided.
- Communication fees consist of charges to members and clearing firms that utilize our various telecommunications networks and communications services. Revenue from communication fees is largely dependent on open outcry trading, as a significant portion relates to telecommunications on the trading floor.
- Investment income represents income generated by the short-term investment of our excess cash balances and clearing firms' cash performance bonds and security deposits; interest income and net realized gains and losses from our marketable securities; and gains and losses on trading securities in our non-qualified deferred compensation plans. The investment results of our non-qualified deferred compensation plans do not affect our net income as there is an equal impact in our compensation and benefits expense. Investment income is influenced by our operating results, market interest rates and changes in the levels of cash performance bonds deposited by clearing firms. Beginning in July 2003, investment income also included earnings on our first Interest Earning Facility (IEF) programs. These IEFs were discontinued in December 2005.
- Securities lending transactions utilize a portion of the securities that clearing firms deposit to satisfy their proprietary performance bond requirements. Securities lending interest income is presented separately in the consolidated statements of income. Substantial interest expense is incurred as part of this securities lending activity and is presented as a deduction from total revenues to arrive at net revenues.
- Other revenue is composed of fees for administering our IEF program, trade order routing, and various services to members. We offer clearing firms the opportunity to invest cash performance bonds in our various IEF offerings. These clearing firms receive interest income, and we receive a fee based on total funds on deposit. In addition, other revenue includes trading gains and losses generated by GFX Corporation (GFX), our wholly owned subsidiary that trades primarily in foreign exchange futures contracts to enhance liquidity in our electronic markets for these products.

Primary Expenses

The majority of our expenses fall into four categories:

- Compensation and benefits;
- Professional fees, outside services and licenses;
- Communications and computer and software maintenance; and
- Depreciation and amortization.

Compensation and benefits. Compensation and benefits expense is our most significant expense and includes employee wages, bonuses, stock-based compensation, benefits and employer taxes. Changes in this expense are driven by increases in wages as a result of inflation or labor market conditions, fluctuations in the number of employees, rates for employer taxes and price increases affecting benefit plans. In addition, this expense is affected by the composition of our work force, which includes a growing percentage of technology-related employees. The expense associated with our bonus and stock-based compensation plans can also have a significant impact on this expense category and may vary from year to year.

In 2003, our shareholders approved our annual incentive plan, and since that date, the bonus component of our compensation and benefits expense has been based on our financial performance. Under the performance criteria established since the annual incentive plan was approved, if we achieve the cash earnings target established by the Compensation Committee of our Board of Directors, the bonus pool funded under the plan would be the “target incentive pool.” Cash earnings are defined as net income excluding depreciation and amortization expense and tax-effected stock-based compensation expense less capital expenditures. Under the plan, if our actual cash earnings equal 80% of the established target for a given year, the bonus pool will be reduced by approximately 50%. There will be no bonus if our cash earnings are less than 80% of the target, other than for non-exempt employees who may receive a bonus under our discretionary bonus program. If our actual cash earnings equal 120% of the target or higher, the bonus pool would be increased by approximately 50% from the target incentive pool, which is the maximum amount that is allowed under the plan. If our performance is between the threshold performance level of 80% of the cash earnings target and the maximum performance level of 120% of the cash earnings target, the bonus will be calculated based on the level of performance achieved. The Compensation Committee may adjust the target level of performance for material, unplanned revenue, expense or capital expenditures to meet intermediate to long-term growth opportunities.

Stock-based compensation is a non-cash expense related to stock options and restricted stock grants. At year-end 2002, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, “Accounting for Stock-Based Compensation,” as amended by SFAS No. 148, and elected the retroactive restatement method of adoption. Stock-based compensation varies depending on the quantity and fair value of options granted. Fair value is derived using the Black-Scholes model and assumptions about our dividend yield, the expected volatility of our stock price based on implied and historical volatility, the risk-free interest rate and the expected life of the options granted.

Professional fees, outside services and licenses. Professional fees, outside services and licenses expense consists primarily of consulting services provided for major technology initiatives, license fees paid as a result of trading volume in equity index products and legal and accounting fees. This expense fluctuates primarily as a result of changes in the number of consultants needed to complete technology initiatives, equity index product trading volume and fee structure changes that affect license fees as well as other undertakings that require the use of professional services. In addition, in 2004 we began to incur expense under our revenue sharing agreement with Singapore Exchange Derivatives Trading Ltd. (SGX). Revenue sharing expense fluctuates based on our percentage of electronically traded CME Eurodollar contracts. Under the terms of our agreement with SGX, this expense cannot exceed $0.3 million per month.

Communications and computer and software maintenance. Communications and computer and software maintenance expense consists primarily of costs for network connections to the CME Globex platform and some market data customers; maintenance of the hardware and software required to support our technology; telecommunications costs of our exchange; and fees paid for access to external market data. This expense is affected primarily by the growth of electronic trading and our capacity requirements. Our computer and software maintenance costs are driven by the number of transactions processed as well as the number of bid and offer quotes received and reflected in the order book for electronic trading, rather than the number of contracts traded.

Depreciation and amortization. Depreciation and amortization expense results from the depreciation of property purchased or acquired under capitalized leases, as well as the amortization of purchased and internally developed software. This expense has increased consistently from year to year due to significant technology investments in equipment and software that began in late 1998. In addition, effective January 1, 2004, we decreased the depreciable lives for new technology equipment purchases to three years and for new personal computer purchases to two years. Previously, the depreciable lives of these assets were four years and three years, respectively.

Other expenses. We incur additional expenses for occupancy, marketing, advertising and public relations and other expenses.

With the exception of license fees paid for the trading of our equity index contracts and a component of our trading facility rent that is related to open outcry trading volume, most of our expenses do not vary directly with changes in our trading volume.

CRITICAL ACCOUNTING POLICIES

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

Calculation of the income tax provision includes an estimate of the income taxes that will be paid for the current year as well as an estimate of income tax liabilities or benefits deferred into future years, as determined in accordance with SFAS No. 109, “Accounting for Income Taxes.” As required by the provisions of SFAS No. 109, our deferred tax assets are reviewed to determine if all assets will be realized in future periods. To the extent that it is determined some deferred tax assets will not be fully realized, the assets must be reduced by a valuation allowance. We expect to realize the benefit of all deferred tax assets based on expectations of future taxable income and, therefore, no valuation allowance has been established. The calculation of our tax provision involves dealing with uncertainties in the application of complex tax regulations. We recognize potential liabilities for anticipated tax audit issues in the United States and other applicable tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes may be due. If payment of these amounts varies from our estimate, our income tax provision would be reduced or increased at the time that determination is made. This determination may not be known for several years. Past tax audits have not resulted in tax adjustments that would result in a material change to the income tax provision in the year the audit was completed. The effective tax rate, defined as the income tax provision as a percentage of income before income taxes, will vary from year to year based on changes to tax rates and regulations. In addition, the effective tax rate will vary with changes to income that are not subject to income tax, such as municipal interest income, and changes in expenses that are not deductible, such as costs associated with our secondary offerings in 2003 and certain lobbying expenses.

Certain costs for employees and consultants that are incurred in connection with work on development or implementation of software for our internal use are capitalized in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 98-1, “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.” Costs capitalized are for application development or implementation, as required by SOP 98-1, for software projects that will result in significant new functionality and that are generally expected to cost in excess of $0.5 million. The amount capitalized is determined based on the time spent by the individuals completing the eligible software-related activity and the compensation and benefits or consulting fees incurred for these activities. Projects are monitored during the development cycle to assure that they continue to meet the capitalization criteria of SOP 98-1 and that the project will be completed and placed in service as intended. Any previously capitalized costs are expensed at the time a decision is made to abandon a software project. Completed internal use software projects, as well as work-in-progress projects, are included as part of property in the consolidated balance sheets. Once completed, the accumulated costs for a particular software project are amortized over the anticipated life of the software, generally three years. Costs capitalized for internal use software will vary from year to year based on our technology-related business requirements.

At year-end 2002, we adopted the fair value method for expensing stock options under the provisions of SFAS No. 123, “Accounting for Stock-Based Compensation,” and elected the retroactive restatement method of adoption. All periods presented reflect stock-based compensation expense that would have been recognized had the provisions of SFAS No. 123 been applied to all stock options granted to employees. We have elected the accelerated method for recognizing the expense related to stock grants. Due to this election and the vesting provisions of our stock grants, a greater percentage of the total expense is recognized in the first and second years of the vesting period than would be recorded if we used the straight-line method.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), “Share-Based Payment,” which requires use of the fair value method of accounting for share-based payment transactions with employees. Under SFAS No. 123(R), we will be required to estimate expected forfeitures of stock grants instead of our current practice of accounting for forfeitures as they occur. In addition, we will also begin to classify the excess tax benefits, if any, related to employee option exercises as financing activities rather than operating activities in our consolidated statement of cash flows. This requirement will reduce net operating cash flows and increase net financing cash flows in the periods after adoption. We cannot estimate what those amounts will be in the future because they are dependent on, among other things, when employees exercise stock options. We plan to continue to use the Black-Scholes model, which we have used since adopting the fair value method, to determine the fair value of stock option grants. In April 2005, the U.S. Securities and Exchange Commission adopted a rule that amended the effective date of SFAS No. 123(R). Under this rule, SFAS No. 123(R) is now effective for public companies at the beginning of the first fiscal year that begins after June 15, 2005. We will adopt SFAS No. 123(R) effective January 1, 2006. The impact of adopting SFAS 123(R) is not expected to be material to our annual results.

RESULTS OF OPERATIONS FOR 2005 COMPARED WITH 2004

2005 Financial Highlights

- Net revenues increased by 25% to $920.5 million driven primarily by increases in clearing and transaction fees, investment income, processing services and quotation data fees.
- Total expenses increased by 13% to $412.1 million due primarily to technology spending related to additional functionality and capacity.
- Growth in revenues exceeded increases in expenses resulting in an increase in our operating margin to 55% from 50% in 2004. Operating margin is defined as income before income taxes expressed as a percentage of net revenues.
- Total property additions increased to $87.6 million primarily due to continued investments in capacity related to transaction growth and additional functionality.
- Working capital, defined as current assets less current liabilities, grew by $280.9 million.

Revenues

(dollars in millions)	2005	2004	Change Amount	Change Percentage
Clearing and transaction fees	**$696.2**	$553.0	$143.2	26%
Processing services	**68.7**	55.9	12.8	23
Quotation data fees	**71.7**	60.9	10.8	18
Access fees	**18.9**	16.4	2.5	15
Communication fees	**9.0**	10.0	(1.0)	(11)
Investment income	**31.5**	14.5	17.0	117
Securities lending interest income	**58.7**	20.3	38.4	n.m.
Other	**22.6**	21.8	0.8	4
Total Revenues	**977.3**	752.8	224.5	30
Securities lending interest expense	**(56.8)**	(19.0)	(37.8)	n.m.
Net Revenues	**$920.5**	$733.8	$186.7	25

n.m. not meaningful

Revenue Highlights. Net revenues increased by 25% primarily as a result of the following factors:

- Clearing and transaction fees increased by $143.2 million due primarily to a 34% increase in average daily trading volume.
- Trading volume executed through CME Globex increased for all product lines.
- Processing services reached $68.7 million due primarily to volume increases at the CBOT and NYMEX.
- Quotation data fees increased by $10.8 million primarily as a result of a fee increase.
- Interest rate increases in the marketplace favorably affected investment income. Increased funds available for investment, resulting primarily from our profitability, contributed to an increase in investment income.

Clearing and Transaction Fees. A significant portion of the increase in clearing and transaction fees in 2005 was attributable to the 34% increase in average daily trading volume. In 2005, we set annual volume records in our four major product lines and, for the first time ever, the total annual volume of our products surpassed one billion contracts during 2005 compared with our previous record of 787 million contracts in 2004. In addition, there was an increase in the percentage of trading volume executed through the CME Globex platform. In 2005, CME Globex volume was 70% of average daily trading volume, compared with 57% during 2004. All of our product lines experienced growth in CME Globex volume during 2005 when compared with 2004. On September 2, 2005, CME Globex volume set a new single-day record of 6.9 million contracts traded.

The following table summarizes average daily trading volume (in thousands) and revenue. All amounts exclude TRAKRS and auction-traded products.

	2005	2004	Percentage Change
CME Product Line Volume:			
Interest rate	**2,380**	1,705	40%
Equity	**1,394**	1,164	20
Foreign exchange	**334**	202	65
Commodity	**50**	40	23
Total Average Daily Volume	**4,158**	3,111	34
CME Globex Volume	**2,895**	1,786	62
CME Globex Volume as a Percentage of Total Volume	**70%**	57%	
Clearing and Transaction Fees (in millions)	**$695.7**	$552.6	
Average Rate per Contract	**$0.664**	$0.702	

We experienced an increase in our interest rate volume in 2005 compared with 2004 due to the following factors:

- Expansion in the use of our electronic trading platform as a result of technological enhancements;
- Rising short-term interest rates and periods of heightened volatility, although overall implied volatility was lower than in 2004;
- Increased volume by European market participants due to higher relative volatility in the U.S. compared to the Eurozone;
- Increased utilization of competitive fee programs designed to encourage the participation of market makers and global proprietary trading firms; and
- The appeal of tiered pricing provided to high volume traders.

The average daily volume of interest rate products traded electronically increased from 594,000 contracts in 2004 to 1.3 million contracts in 2005 with 57% of interest rate volume executed on the CME Globex platform compared with 35% in 2004.

Trading volume for our equity products increased primarily as a result of the continued growth in our CME E-mini products due to increased distribution to new users. This was achieved despite volatility in the U.S. equity markets that was 17% lower in 2005 when compared with 2004 as measured by the CBOE Volatility Index. During 2005, average daily volume of CME E-mini products increased by 21% to 1.3 million contracts when compared with 2004. The strongest growth in average daily volume occurred in CME E-mini S&P 500 futures, which increased by 0.2 million contracts, CME E-mini Russell 2000 futures and CME E-mini S&P MidCap 400 futures. We also experienced growth in our E-mini equity option products.

Our foreign exchange volume has benefited from increased demand from automated trading systems, driven primarily by technology enhancements that allow faster execution. We also experienced volume growth from commodity trading advisors and large hedge funds as a result of initiatives implemented in 2005. Fee incentive programs initiated during the second quarter of 2004 also resulted in increased trading on the CME Globex platform. In 2005, 81% of our foreign exchange volume was executed through CME Globex compared with 66% in 2004. In 2005, we set a new single-day foreign exchange volume record of 872,000 contracts and a single-day volume record of 631,000 contracts traded electronically.

Partially offsetting the impact of the increase in trading volume on revenue was a decrease in the average rate, or revenue, per contract. The average rate per contract decreased to $0.664 for 2005 from $0.702 in 2004 primarily due to the following factors:

- An increase in the percentage of trades by member customers reduced the rate per contract. As a result of a decrease in the capital investment required to become a clearing firm, which became effective October 1, 2004, there was an increase in the number of inactive clearing firms that are charged member rates. During 2005, we also implemented a program to allow multiple hedge funds within the same fund group to receive member rates.
- Growth in interest rate, equity and foreign exchange trading volume, as a result of the appeal of our competitive fee programs, as well as increased participation of market makers, resulted in higher incentives and discounts, which further reduced the average rate per contract by $0.037 in 2005.
- Our mutual offset agreement with SGX, whereby there is a net settlement for trades executed by the originating exchange but transferred to the other exchange, had an unfavorable impact on the average rate per contract of $0.005 in 2005.
- These decreases were partially offset by the higher percentage of trades on the CME Globex platform for all product lines, for which additional fees are assessed.
- Finally, rate increases effective August 1, 2005, contributed additional revenue of $7.1 million and resulted in a slight offset to the overall decline in our average rate per contract of $0.007 in 2005.

In addition to the change in the rate structure in 2005, we also extended the European and Asian incentive programs and the electronic corporate membership program through December 31, 2006. In 2005, we implemented two one-year incentive programs designed to attract large hedge funds and commodity trading advisors to our foreign exchange markets. We also launched a new emerging markets partner program to support the geographic expansion of European and U.S.-based proprietary trading firms and trading arcades into developing trading centers. This two-year program provides fee waivers for new users of our electronic markets in qualified regions around the world.

A substantial portion of our clearing and transaction fees, as well as telecommunications fees and various service charges included in other revenue, are billed to our clearing firms. 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. As of December 31, 2005, there were approximately 80 clearing firms. In 2005, no one firm represented more than 10% of our clearing and transaction fees revenue. 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 earned from any particular clearing firm.

Processing Services. The increase was primarily the result of increased volume at the CBOT as well as the expiration of lower initial pricing that was in effect during much of 2004. We cleared 675 million CBOT contracts during 2005 compared with 600 million contracts during 2004. In addition, we earned $3.8 million in incremental revenue from our agreement with NYMEX due to increased trading volume and related increased fees for these trades. Trading volume related to NYMEX increased to 5.2 million contracts in 2005 from 0.9 million contracts in 2004. Our agreement with NYMEX has expired and we stopped listing NYMEX products on the CME Globex platform as of November 18, 2005.

Quotation Data Fees. The increase in quotation data fees resulted primarily from the change to our rates that was implemented on January 1, 2005. Users of our basic service pay $35 per month for each market data screen, or device, an increase from the $30 per month charge that was in effect during 2004. During 2005, we charged for approximately 148,000 devices utilizing our basic service. At December 31, 2005, our market data was accessible by both basic users and users of lower-priced offerings on approximately 179,000 devices. This is unchanged from the number of devices that displayed our data at December 31, 2004. In addition, there was an increase of $0.9 million related to assessments resulting from our periodic audits of the usage data provided by our customers.

In 2005, the two largest resellers of our market data represented approximately 53% 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 a loss of revenue received from any particular market data reseller.

Effective January 1, 2006, we increased the monthly fee for the basic data package by $5 per month to $40 per month.

Access Fees. The increase in access fees was attributed primarily to CME Globex users converting to higher bandwidth connections, at a higher fee beginning in the third quarter of 2004. During 2006, we intend to upgrade that connection to 40 megabytes.

Communication Fees. Communication fees decreased primarily as a result of reduced demand for communication devices and services on the trading floor accompanied by a decrease in demand by our building tenants.

Investment Income. The increase is primarily a result of interest rate increases in the marketplace. The annualized average interest rate earned on investments, excluding our non-qualified deferred compensation plan and the first IEFs, increased to 3.0% in 2005 compared with 1.6% in 2004, representing an increase in investment income of $12.9 million. Also, $4.4 million of the increase resulted from increased funds available for investment. The funds available for investment continued to increase in large part due to growth in net income. Offsetting these increases was a $0.4 million decrease in IEF interest income and other investment income. The first IEFs were included in our consolidated financial statements until they were discontinued in December 2005. However, this consolidation has no effect on our net income since a corresponding increase is reflected in other expenses for the fees paid for managing these IEFs and the distribution of the IEF earnings to the participants.

Securities Lending Interest Income and Expense. In October 2005, we increased the amount of eligible securities available for lending to 70% from 50%. In addition, throughout 2005 the balance of firm securities held that were eligible for securities lending increased. Both of these items, as well as the continued increase in interest rates by the Federal Open Market Committee of the Federal Reserve, had a significant impact on securities lending interest year over year. The average daily balance of proceeds from securities lending activity was $1.8 billion in 2005 and $1.4 billion in 2004. Net revenues from securities lending represented an annualized return of 0.11% on the average daily balances for 2005 compared with 0.09% for 2004.

Other Revenues. The increase in other revenues resulted primarily from a $0.6 million increase in fees associated with managing our IEF programs in 2005 when compared with 2004 and a $0.5 million decrease in our share of the net loss of OneChicago.

Expenses

(dollars in millions)	2005	2004	Change Amount	Change Percentage
Compensation and benefits	**$179.6**	$164.8	$ 14.8	9%
Occupancy	**28.5**	27.2	1.3	5
Professional fees, outside services and licenses	**44.8**	37.2	7.6	21
Communications and computer and software maintenance	**57.9**	48.3	9.6	20
Depreciation and amortization	**64.9**	53.4	11.5	22
Marketing, advertising and public relations	**13.3**	11.0	2.3	21
Other	**23.1**	24.2	(1.1)	(5)
Total Expenses	**$412.1**	$366.1	$ 46.0	13

Expense Highlights. While there was a 25% increase in net revenues in 2005, total expenses increased by 13% driven primarily by the following factors:

- Compensation and benefits increased as a result of annual salary and related benefit increases, a 3% increase in average headcount and increases in stock-based compensation.
- We extended the exclusivity of our licensing agreements with NASDAQ and S&P. As a result, professional fees, outside service and licenses increased primarily due to the increased fees payable under these agreements as well as increased spending on technology initiatives.
- A 39% increase in transactions processed electronically resulted in increased communications and computer and software maintenance.
- We continued to add to and improve our data centers resulting in an increase in depreciation and amortization of $11.5 million over 2004.
- Initiatives to expand product-specific marketing and to rebrand existing marketing and advertising materials contributed to an increase in marketing, advertising and public relations.

Compensation and Benefits. Although there are a number of factors that affected compensation and benefits, the primary drivers of the increase were:

- Annual salary increases and related increases in employer taxes and benefits resulted in approximately $7.2 million of additional expense during 2005 when compared with 2004.
- The average number of employees increased approximately 3%, or by 42 employees, to 1,296 in 2005 from 1,254 in 2004. We had 1,321 employees at December 31, 2005. This increased headcount resulted in additional compensation and benefits, excluding bonuses, of approximately $4.6 million.
- Stock-based compensation increased $4.8 million to $12.6 million in 2005 from $7.8 million in 2004. This increase resulted primarily from an increase in the fair value per share of options granted in 2005. The higher fair value was driven primarily by the increase in our stock price.
- We experienced a $1.5 million increase in capitalized compensation and benefits that relates to development of internal use software, thereby reducing the amount of compensation and benefits that was expensed in 2005.

Occupancy. Occupancy expense increased primarily as a result of $1.0 million of additional rent and utilities expense for a remote data center that began operation in April 2004. There was also an increase in real estate tax rates and operating expenses at our main location that resulted in additional expense of $0.5 million for 2005. Increases were partially offset by a decrease in our volume-based trading floor rent, due to lower open outcry trading, and a decrease in building maintenance expense.

Professional Fees, Outside Services and Licenses. The increase resulted primarily from $3.5 million in additional license fees in 2005 when compared with 2004 as a result of increased licensing rates for certain of our equity products and increased trading volume. The NASDAQ and S&P licensing agreements were renegotiated in April 2005 and September 2005, respectively. Rates increased for these licensing agreements as a result of the renegotiations in return for an extension of exclusivity. We also incurred $2.5 million in additional professional fees, net of amounts capitalized for internally developed software, that related primarily to our technology initiatives, including integration of enhanced options trading functionality onto the CME Globex platform and implementation of new mass quoting functionality for certain foreign exchange and equity option products. Finally, we incurred $2.3 million of incremental expense related to our revenue sharing agreements with SGX and market makers designated for certain products. The SGX increase resulted from the growth in electronic trading of CME Eurodollar contracts after our regular floor trading hours. Partially offsetting these increases was a decrease of $0.7 million in other professional fees and outside services, primarily due to reduced legal fees and recruiting expenses.

Communications and Computer and Software Maintenance. During 2005, the number of transactions we processed electronically increased approximately 39%. As a result, additional capital purchases were required to accommodate this growth and our expenses for software, software maintenance and hardware maintenance increased $5.1 million when compared with 2004. Also, during 2005 we experienced greater communications expense of $4.4 million. This increase is related to a number of items including, but not limited to, expansion of our international communications hubs in Europe and Asia. We now have seven hubs in Europe and one in Asia. In addition, our bandwidth upgrades for customers, increased connections for new CME Globex users and additional bandwidth now provided between our main location and our remote data centers also contributed to the increase in communications expense.

Depreciation and Amortization. This increase was the result of depreciation and amortization of 2005 asset acquisitions exceeding the depreciation and amortization of assets that have become fully depreciated or retired since December 31, 2004. The main components of the 2005 asset additions were technology equipment and leasehold improvements to our remote data centers. Also, a greater portion of our fixed assets are now depreciating over shorter lives. This change became effective January 1, 2004 when the estimated useful lives of new technology equipment purchases were reduced from four to three years and new personal computer purchases were reduced from three to two years. Property additions totaled $87.6 million in 2005 and $67.5 million in 2004. Technology-related assets, defined as purchases of computers, related equipment and software, the cost of developing internal use software and costs associated with the build-out and expansion of our data centers, represented approximately 91% and 86%, respectively, of these additions.

Marketing, Advertising and Public Relations. The increase in marketing, advertising and public relations expense is attributable to increased product-specific marketing especially for our foreign exchange products, the launch of CME Magazine and rebranding of brochures and direct marketing materials. During 2005, we also incurred $0.4 million of expense related to a donation for hurricane relief. There was no similar expense in 2004.

Other Expenses. The change was attributable primarily to a $1.9 million decrease in currency delivery fees resulting from migration to a more cost-effective currency delivery system. Also contributing to the change was a $0.5 million decrease in bad debt expense due to billing adjustments and the collection of items in 2005 that were reserved for in 2004. These decreases were partially offset by a $1.0 million increase in general and administrative expenses when compared with 2004.

Income Tax Provision. The effective tax rate was 39.6% for 2005 compared with 40.3% for 2004. The effective tax rate declined as a result of an increase in tax-exempt investment income and the favorable resolution of certain tax audit issues.

RESULTS OF OPERATIONS FOR 2004 COMPARED WITH 2003

2004 Financial Highlights

- Net income increased to $219.6 million from $122.1 million in 2003 primarily as a result of a 37% increase in net revenues offset by an 11% increase in expenses.
- Net revenues increased primarily as a result of increases in clearing and transaction fees and processing services.
- The majority of our increase in total expenses occurred in compensation and benefits and professional fees, outside services and licenses.

Revenues

(dollars in millions)	2004	2003	Change Amount	Change Percentage
Clearing and transaction fees	**$553.0**	$428.8	$124.2	29%
Processing services	**55.9**	1.7	54.2	n.m.
Quotation data fees	**60.9**	53.2	7.7	15
Access fees	**16.4**	15.5	0.9	6
Communication fees	**10.0**	9.7	0.3	4
Investment income	**14.5**	9.2	5.3	57
Securities lending interest income	**20.3**	9.5	10.8	n.m.
Other	**21.8**	17.2	4.6	27
Total Revenues	**752.8**	544.8	208.0	38
Securities lending interest expense	**(19.0)**	(8.8)	(10.2)	n.m.
Net Revenues	**$733.8**	$536.0	$197.8	37

n.m. not meaningful

Revenue Highlights. During 2004, net revenues increased by 37% influenced by the following major factors:

- Clearing and transaction fees increased primarily as a result of a 26% increase in average daily trading volume driven by increased electronic trading.
- We began providing clearing services to the CBOT in November 2003. This resulted in a significant increase in revenue from a full year of processing services.
- A change in our fee structure for market data resulted in an increase in quotation data fees.

Clearing and Transaction Fees. A significant portion of the increase was attributable to the 26% increase in average daily trading volume. In addition, there was an increase in the percentage of trading volume executed through the CME Globex platform. In 2004, CME Globex volume was 57% of average daily trading volume compared with 42% during 2003. Each of our four major product lines, with the exception of commodity products, experienced growth in CME Globex volume during 2004 when compared with 2003.

The following table summarizes average daily trading volume (in thousands) and revenue. All amounts exclude TRAKRS unless otherwise noted.

	2004	2003	Percentage Change
CME Product Line Volume:			
Interest rate	**1,705**	1,234	38%
Equity	**1,164**	1,057	10
Foreign exchange	**202**	135	50
Commodity	**40**	35	13
Total Average Daily Volume	**3,111**	2,461	26
CME Globex Volume	**1,786**	1,041	71
CME Globex Volume as a Percent of Total Volume	**57%**	42%	
Clearing and Transaction Fees (in millions)	**$552.6**	$428.7	
Average Rate per Contract	**$0.702**	$0.691	

We experienced an increase in our interest rate volume in 2004 when compared with 2003. During 2004, 35% of our volume in interest rate products was executed on the CME Globex platform compared with 4% during 2003. This increase represented incremental average daily trading volume in our interest rate products on CME Globex of nearly 600,000 contracts. More competitive customer fees, the participation of market makers, increased usage of handheld electronic trading units on our trading floor and the enhancements allowing complex trading strategies to be completed on the CME Globex platform contributed to increased electronic trading volume of CME Eurodollars. In addition, there was increased interest rate volatility contributing to higher volume levels that was not as evident in 2003.

The volatility of U.S. equity markets in 2003 was not as evident during 2004. Despite this lower volatility, our equity product volume grew 10% during 2004 when compared with 2003. Our equity product volume was influenced by increased distribution to customers through the CME Globex platform combined with incentive programs introduced during the second quarter of 2004 that enabled additional market participants to obtain reduced fees on some of our products.

Our foreign exchange volume benefited from increased volatility and fee incentive programs initiated during the second quarter of 2004, which resulted in increased trading on the CME Globex platform. During 2004, 66% of our foreign exchange volume was conducted through CME Globex compared with 44% during 2003.

Price levels and volatility patterns contributed to the increase in volume in commodity products during 2004 when compared with 2003.

The average rate, or revenue, per contract increased to $0.702 for 2004 from $0.691 for 2003 due to the following factors:

- A higher percentage of trades were executed on the CME Globex platform.
- We experienced an increase due to a shift in CME E-mini products traded on the CME Globex platform from member to non-member customers and special programs that earn a higher rate per contract than member trades.
- Partially offsetting these increases was a reduction of $0.008 due to the impact of reduced volume from our mutual offset agreement with SGX.
- The average rate per contract was also reduced by $0.006 in 2004 when compared with 2003 as a result of $3.6 million related to two large clearing fee audit assessments that increased revenues during 2003. There were no similar large assessments during 2004.
- Our tiered pricing structure for CME Eurodollars reduced the average rate per contract by an additional $0.005 during 2004 when compared with 2003 as increased trading volume in our CME Eurodollar contracts resulted in additional fee reductions related to volume incentives.
- The foreign exchange tiered pricing structure resulted in an additional reduction in average rate per contract of $0.003 during 2004 when compared with 2003, as a result of the volume growth in foreign exchange products and the related impact on these incentives.

Processing Services. Processing services revenue increased as a result of providing clearing and transaction processing services to the CBOT. We began providing these services for some CBOT products in November 2003 and, as of January 1, 2004, we began clearing all CBOT products. We cleared 600 million contracts for CBOT during 2004. In addition to fees for services provided to the CBOT, we earned $0.7 million related to NYMEX and OneChicago transaction processing, which was relatively constant with amounts earned in 2003.

Quotation Data Fees. The increase resulted primarily from the change to our fee structure that was implemented on January 1, 2004. At that time, we modified our market data pricing to a flat fee structure. Users of the professional service were charged $30 per month for each market data screen or device during 2004. Previously, users of the professional service were charged a higher fee for the first screen at each location and a lower fee for each additional screen at the same location. At December 31, 2004, there were approximately 63,000 subscribers to our market data and the data was accessible from approximately 179,000 screens and included approximately 30,000 subscribers to our lower-priced, non-professional service. This represented an increase from December 31, 2003 of approximately 5,000 screens displaying our data and 3,000 subscribers, including 2,000 subscribers to our lower-priced, non-professional market data service.

Access Fees. This increase was attributed to expanded distribution that was partially offset by our customers consolidating connections into higher capacity bandwidths.

Communication Fees. The increase was due largely to greater usage of handheld electronic trading devices.

Investment Income. The average interest rate earned on all investments was 1.6% for 2004 compared with 1.2% during 2003, representing an increase in investment income of $3.0 million. The increase in rates earned was due to a change in our investment policy that we began to implement in the third quarter of 2003 as well as increases in market interest rates. Also, $2.5 million of the increase in interest income resulted from increased cash performance bonds and security deposits in the first three quarters of 2004 and increased funds available for investment. In addition, as a result of the issuance of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," in January 2003, the first IEFs that we initiated in 1997 have been included in our consolidated financial statements beginning with the third quarter of 2003. Investment income for 2004 includes $2.1 million of interest income from the first IEFs compared with $1.4 million during 2003. Partially offsetting these increases was a $0.7 million decrease in the investment results of our non-qualified deferred compensation plan that is included in investment income but does not affect our net income, as there is an equal decrease in our compensation and benefits expense.

Securities Lending Interest Income and Expense. The average daily balance of proceeds from securities lending activity was $1.4 billion for 2004 and $0.7 billion for 2003. The net revenues from securities lending represented an annualized return of 0.09% on the average daily balances for 2004 compared with 0.10% for 2003.

Other Revenues. This increase resulted from a variety of factors. There was a $1.8 million increase in fees associated with managing our IEF programs during 2004 when compared with 2003, a $1.3 million decrease in our share of the net loss of OneChicago, a $0.9 million increase in the trading revenue generated by GFX and a $0.7 million increase in sales of our CME SPAN software.

Expenses

			Change	
(dollars in millions)	**2004**	**2003**	**Amount**	**Percentage**
Compensation and benefits	**$164.8**	$141.0	$ 23.8	17%
Occupancy	**27.2**	24.9	2.3	9
Professional fees, outside services and licenses	**37.2**	31.7	5.5	17
Communications and computer and software maintenance	**48.3**	45.7	2.6	5
Depreciation and amortization	**53.4**	53.0	0.4	1
Marketing, advertising and public relations	**11.0**	11.9	(0.9)	(8)
Other	**24.2**	21.7	2.5	12
Total Expenses	**$366.1**	$329.9	$ 36.2	11

Expense Highlights. During 2004, total expenses increased by 11% primarily due to increases in compensation and benefits as well as professional fees, outside services and licenses.

Compensation and Benefits. There were four significant components to this increase:

- Annual salary increases and related increases in employer taxes and benefits resulted in additional expense of $7.1 million.
- Stock-based compensation expense increased $6.3 million during 2004. This increase resulted primarily from a full year of expense in 2004 for the options granted in June 2003 as well as the seven months of expense related to the employee options grant in June 2004. Also, stock-based compensation was reduced by $2.6 million in the fourth quarter of 2003 as a result of the forfeiture of a portion of our former CEO's stock option. There were no similar significant forfeitures in 2004.
- The average number of employees increased approximately 6%, or by 68 employees, from 2003 to 2004. We had 1,283 employees at December 31, 2004. This increased headcount resulted in additional compensation and benefits, excluding bonuses, of $7.1 million.
- The bonus expense for 2004, as accrued under the provisions of our annual incentive plan, increased $4.4 million when compared with 2003.

These increases were partly offset by:

- Investment results of our non-qualified deferred compensation plan decreased by $0.7 million in 2004.
- We experienced a $0.5 million increase in the capitalization of compensation and benefits relating to internally developed software, thereby reducing the amount of compensation and benefits that was expensed in 2004.

Occupancy. Occupancy expense increased primarily as a result of rent that began in April 2004 for an additional remote data center, additional space we now lease at our main location and increased operating expenses.

Professional Fees, Outside Services and Licenses. The increase resulted primarily from our revenue sharing agreement with SGX and license fees relating to our equity products. We incurred $2.5 million of expense related to our revenue sharing agreement with SGX. This revenue sharing resulted from the growth in electronic trading of CME Eurodollars. There was no similar expense in 2003 due to the relatively low percentage of CME Eurodollars trading electronically at that time. In addition, license fees increased by $1.9 million in 2004 as a result of increased trading volume and increased licensing rates for certain of our equity products. We also experienced an increase of $1.0 million for consulting and auditing services related to Sarbanes-Oxley reporting requirements.

Communications and Computer and Software Maintenance. This expense is affected primarily by growth in electronic trading. During 2004, we experienced greater communications expense that included a $0.4 million increase for connections to the CME Globex platform. Also, during 2003, we received $2.5 million in refunds from our primary telecommunications provider for billing errors in prior periods. We received a similar refund of $0.4 million during 2004, resulting in a net increase in expenses of $2.1 million during 2004. This increase in communications expense was partially offset by a $1.4 million decrease in other communications expense as a result of network consolidation and cost reduction efforts. During 2004, the number of transactions we processed increased approximately 31%. In addition, we processed approximately 87% of total transactions electronically in 2004 compared with nearly 80% in 2003, which represented 57% and 42%, respectively, of total contracts traded. As a result, our expenses for software, software maintenance and hardware maintenance increased $2.4 million during 2004 when compared with 2003. This increase was partially offset by $0.7 million that was awarded during the fourth quarter of 2004 as settlement of the arbitration of a dispute relating to the maintenance charges previously paid that for certain software used to access the CME Globex platform.

Depreciation and Amortization. Depreciation and amortization of 2004 asset acquisitions exceeded the depreciation and amortization of assets that have become fully depreciated or retired since December 31, 2003, contributing to an overall increase in expense. In addition, the decrease in depreciable lives, effective January 1, 2004, resulted in increased expense in 2004. Property additions totaled $67.5 million and $63.0 million for 2004 and 2003, respectively. Technology-related asset purchases in 2004 and 2003 represented approximately 86% and 80%, respectively, of these additions.

Marketing, Advertising and Public Relations. During 2003, we incurred $6.2 million of expense associated with our brand advertising campaign. There was no similar expense in 2004. Substantially offsetting this decreased brand advertising expense was an increase in product advertising and other marketing-related efforts during 2004 when compared with 2003.

Other Expense. A primary factor in this increase was $0.6 million of expense related to the consolidation of the first IEF program that was effective in the third quarter of 2003. This expense represents the distribution of the net earnings of these IEFs to the participants in the program. However, there is no impact on net income as a result of including the related IEF earnings as part of investment income. In addition, we experienced a $0.6 million increase in bank fees, including securities lending fees, a $0.5 million increase in bad debt expense, a $0.4 million increase in currency delivery fees resulting from increased currency delivery volume and increases in other general administrative expenses.

Income Tax Provision. The effective tax rate was 40.3% for 2004 compared with 40.7% for 2003. The decrease in the effective tax rate resulted primarily from expenses incurred in connection with the June and November 2003 secondary offerings that were not deductible for tax purposes. There were no similar expenses in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements

Cash will be required for commitments reflected as liabilities on our consolidated balance sheet at December 31, 2005, operating leases and non-cancelable purchase obligations. These commitments are as follows (in thousands):

Year	Operating Leases	Purchase Obligations	Other Long-Term Liabilities	Total
2006	**$ 12,996**	**$ 21,670**	**$ 2,082**	**$ 36,748**
2007-2008	**24,855**	**16,593**	**2,039**	**43,487**
2009-2010	**5,649**	**5,422**	**—**	**11,071**
Thereafter	**7,465**	**12,489**	**—**	**19,954**
Total	**$ 50,965**	**$ 56,174**	**$ 4,121**	**$111,260**

In 2004, we acquired the intellectual property and operating assets of Liquidity Direct Technology, LLC, a private trading technology firm that developed technology to facilitate the trading of complex combinations and spreads typically used with options. The purchase agreement required an initial payment of $5.3 million, with additional payments based on revenue generated when this electronic platform was implemented. The platform was implemented in the third quarter of 2004 and these additional payments will extend over three years, but will not exceed $16.8 million. Additional payments and obligations to the sellers as part of this purchase in 2005 and 2004 totaled $1.1 million and $0.1 million, respectively.

Included in commitments is the remaining liability relating to the $15.0 million settlement in August 2002 of the Wagner patent litigation. The settlement required an initial payment of $5.0 million in September 2002 and five subsequent annual payments of $2.0 million, with the first payment made in August 2003. The entire expense related to this settlement was recognized in 2002 at its present value of $13.7 million.

Future capital expenditures for technology are anticipated as we continue to invest in increased system capacity and performance and pursue technological initiatives on our electronic trading platform such as implementation of additional functionality for CME Eurodollar and foreign exchange options; increased functionality for user defined spreads; and facilitation of covered options and futures trading. Each year capital expenditures are incurred for improvements throughout our central location and our remote data centers. Capital expenditures also are incurred for improvements to our trading floor facilities, offices, telecommunications capabilities and other operating equipment. We expect 2006 capital expenditures to be in the range of $90.0 million to $100.0 million.

We intend to pay regular quarterly dividends to our shareholders. In 2005, our annual dividend target remained at approximately 30% of the prior year's cash earnings. The decision to pay a dividend, however, remains within the discretion of our Board of Directors and may be affected by various factors, including our earnings, financial condition, capital requirements, level of indebtedness and other considerations our Board of Directors deems relevant. On February 1, 2006, the Board of Directors declared a regular quarterly dividend of $0.63 per share to be paid on March 27, 2006 to shareholders of record on March 10, 2006. Assuming no changes in the number of shares outstanding, the dividend payment will total approximately $21.8 million.

Debt Instruments

We maintain a line of credit with a consortium of banks to be used in certain situations, such as a disruption in the domestic payments system that would delay settlement between our exchange and our clearing firms or in the event of a clearing firm default. The line of credit has never been utilized other than a one day draw in 2004 for $10.0 million to ensure that the facility would operate as intended. On October 14, 2005, the line of credit was renewed at the existing amount of $750.0 million and on terms substantially the same as the expiring line of credit. We now have the option to request an increase to the facility from $750.0 million to $1.0 billion at the time of a draw. The agreement does not require the participating banks to comply with our request. The credit agreement continues to be collateralized by clearing firm security deposits held by us in the form of U.S. Treasury or agency securities, as well as security deposit funds in IEF2 and any performance bond deposits of the defaulting firm. The line of credit can only be drawn on to the extent it is collateralized. Collateral available and on deposit was $1.2 billion at December 31, 2005.

In addition, as of December 31, 2005, we were contingently liable on irrevocable letters of credit totaling $109.0 million in connection with our mutual offset system with SGX. In October 2005, we approved the use of up to $100.0 million in CME owned U.S. Treasury securities as performance bond collateral in connection with our mutual offset agreement with SGX.
At December 31, 2005, the amount pledged was $70.2 million.

CME also guarantees a $5.0 million standby letter of credit for GFX. The beneficiary of the letter of credit is the clearing firm that is used by GFX to execute and maintain its futures positions. Per exchange requirements, GFX is required to place performance bond deposits with its clearing firm. The letter of credit will be utilized in the event that GFX defaults in meeting requirements to its clearing firm. In the unlikely event of a payment default by GFX, GFX's performance bond deposits would first be used to cover any deficit. If this amount is not sufficient, the letter of credit would be used, and finally CME would guarantee the remaining deficit, if any.

Off-Balance Sheet Arrangements

As of December 31, 2005, we did not have any significant off-balance sheet arrangements as defined in the regulations of the U.S. Securities and Exchange Commission.

Sources and Uses of Cash

Net cash provided by operating activities was $391.6 million for 2005 and $328.8 million for 2004. The net cash provided by operations increased primarily as a result of our improved operating results. The increase was partially offset by an increase in other current assets of $17.5 million primarily due to increases in refundable income taxes and prepaid software and maintenance agreements. The net cash provided by operating activities exceeded our net income in 2005 and 2004 primarily as a result of non-cash expenses, such as depreciation and amortization, which do not adversely affect our cash flow. In addition, we received tax benefits related to employee option exercises in excess of our book expense associated with these options and this tax benefit reduced our income tax obligations for 2005.

Cash used in investing activities was $82.3 million for 2005 compared with $125.8 million for 2004. The decrease in cash used of $43.5 million was primarily due to a reduction in the purchases of marketable securities in excess of the cash provided by the maturities of marketable securities from 2004 to 2005. Maturities of marketable securities were greater than purchases in 2005 by $5.2 million while in 2004 purchases of marketable securities, net of maturities, totaled $51.9 million. Cash used to acquire and develop capital assets increased $18.1 million to $85.6 million for 2005 from $67.5 million for 2004.

Property additions include capital expenditures for purchased and internally developed software; equipment including that acquired utilizing capital leases; and leasehold improvements, including those acquired with lease allowances. Property additions in 2005 included leasehold improvements of $22.8 million related to the expansion of our remote data centers and $5.8 million related to the remodeling of the office space at our main location. Property additions in 2004 included leasehold improvements of $12.8 million related to the expansion of our first remote data center and $7.7 million related to the remodeling of the office space and lobby at our main location.

Technology-related assets include purchases of computers and related equipment software, the cost of developing internal use software and costs associated with the build-out and expansion of our data centers. Technology-related additions increased $21.4 million to $79.5 million in 2005 from $58.1 million in 2004. These additions related primarily to expanding capacity to accommodate the growth in electronic trading on the CME Globex platform, clearing trades for the CBOT, improving speed and reliability in our systems and implementing other system enhancements.

The following table summarizes property and technology-related additions for 2003 through 2005:

(dollars in millions)	2005	2004	2003
Total Property Additions	**$87.6**	$67.5	$63.0
Technology (including data center leasehold improvements)	**79.5**	58.1	50.4
Percentage for Technology	**91%**	86%	80%

Cash used in financing activities was $55.9 million in 2005 compared with $30.5 million in 2004. The increase was primarily due to the $28.2 million increase in dividends paid. Dividends totaled $63.3 million in 2005 compared with $35.1 million in 2004. The increase resulted primarily from our improved prior year’s cash earnings that is the basis used to determine the amount of the current year’s dividend. Partially offsetting this increase was a $1.5 million decrease in payments on long-term debt related to capital leases. All long-term debt was retired during 2004. In addition, the proceeds from stock option exercises increased $1.0 million to $7.0 million for 2005 from $6.0 million for 2004.

Liquidity and Cash Management

Cash and cash equivalents totaled $610.9 million at December 31, 2005 compared with $357.6 million at December 31, 2004. The $253.3 million increase resulted primarily from cash generated by operations, partially offset by $85.6 million in purchases of property, net of trade-in allowances, and $63.3 million in quarterly dividend payments. The balance retained in cash and cash equivalents was a function of anticipated or possible short-term cash needs, prevailing interest rates, our investment policy, alternative investment choices and any dividends that we pay.

Included in other assets and other current assets are net deferred tax assets that total $14.9 million and $10.8 million at December 31, 2005 and 2004, respectively. These net 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 realize their full value in the future based on our expectation of future taxable income.

Historically, we have met our funding requirements from operations. If operations do not provide sufficient funds to complete capital expenditures, short-term investments or marketable securities can be reduced to provide the needed funds or assets can be acquired through capital leases.

Each clearing firm is required to deposit and maintain a specified performance bond balance, which is determined by parameters established by the risk management department of the clearing house and may fluctuate over time. Performance bond requirements can be satisfied with a variety of approved investments and cash. Cash performance bonds and security deposits are included in our consolidated balance sheets. With the exception of the portion of securities deposited that are utilized in our securities lending program, clearing firm deposits other than those retained in the form of cash are not included in our consolidated balance sheets. Securities lending transactions utilize a portion of the securities that clearing firms have deposited to satisfy their proprietary performance bond requirements. Securities lending activity fluctuates based on the amount of securities that clearing firms have deposited and the demand for securities lending activity in the particular securities available to us. As a result of these factors, the balances in cash performance bonds and security deposits, as well as the balances in our securities lending program, may fluctuate significantly over time.

Cash performance bonds and security deposits, collateral from securities lending and balances in the first IEFs consisted of the following at December 31:

(in millions)	2005	2004
Cash performance bonds	**$ 579.0**	$ 255.3
Cash security deposits	**12.5**	11.9
Cross-margin arrangements	**0.6**	2.7
Total Cash Performance Bonds and Security Deposits	**592.1**	269.9
Collateral from securities lending activities and payable under securities lending agreements	**2,160.9**	1,583.0
Short-term investments and payable to participants in first IEFs	—	87.5
Total	**$2,753.0**	$1,940.4

We discontinued operation of the first IEFs and all deposits were returned to clearing firms in December 2005.

We are required under the Commodity Exchange Act to segregate cash and securities deposited by clearing firms on behalf of customers. In addition, our exchange rules require a segregation of all funds and securities deposited by clearing firms from exchange operating funds and marketable securities. As with cash performance bonds and security deposits, these balances will fluctuate due to the investment choices available to clearing firms and the change in total deposits required. Securities, at fair value, and IEF funds were deposited for the following purposes at December 31:

(in millions)	**2005**	**2004**
Performance bonds	**$45,809.8**	$43,442.7
Security deposits	**1,236.2**	1,008.9
Cross-margin arrangements	**531.7**	633.9
Total	**$47,577.7**	$45,085.5

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 affect interest income from short-term investments of cash, cash performance bonds and security deposits, variable rate marketable securities and new purchases of marketable securities. Changes in market interest rates also would have an effect on the fair value of any marketable securities owned.

Investment choices, as provided in our investment policy, primarily include U.S. Treasury and government agency securities, investment grade corporate obligations, repurchase agreements and municipal securities. Maturities may extend to a maximum of 60 months. In December 2005, we amended our investment policy to increase the percentage of our portfolio allocable to municipal securities. We also expanded the range of municipal securities that meet the requirements of our investment policy.

Interest Rate Risk

Interest income from marketable securities, short-term cash investments, and cash performance bonds and security deposits was $28.5 million in 2005, $11.2 million in 2004 and $5.8 million in 2003. We experienced an increase in interest income during 2005 due to rising interest rates and an increase in the average balance of invested funds. Our marketable securities experienced net unrealized losses of $2.1 million in 2005 and $2.8 million in 2004, and net unrealized gains of $0.1 million in 2003. There were no realized gains or losses in 2005, 2004 and 2003. Expected maturities and interest coupon rates for fixed rate marketable securities at December 31, 2005 were as follows (dollars in thousands):

Year	Principal Amount	Weighted Average Interest Rate
2006	**$ 73,571**	3.82%
2007	**143,517**	3.80
2008	**80,410**	2.34
Total	**$297,498**	3.41
Fair Value	**$292,862**	

The 2008 expected maturity includes certain zero coupon marketable securities. Excluding zero coupon securities, the 2008 weighted average interest rate would be 3.51%.

Under our investment policy, we monitor 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 control the duration of the portfolio primarily through the purchase of individual marketable securities having a duration consistent with our overall investment policy. In addition, we will generally hold marketable securities to maturity, which will act as a further mitigating factor to interest rate risk.

Derivatives Trading Risk

GFX engages primarily in the purchase and sale of our foreign exchange futures contracts on CME Globex to provide additional liquidity in these products and subsequently enters into offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market to limit market risk. Any potential impact on the earnings of GFX from a change in foreign exchange rates would not be significant. GFX also engaged in purchases and sales of CME Eurodollar futures contracts on the CME Globex platform during the first six months of 2004. At the end of the second quarter of 2004, it was determined that GFX's participation in electronic trading of CME Eurodollars was no longer necessary for liquidity purposes. Net position limits are established for each trader. Limits totaled $12.0 million in net exposure, as measured by notional value, as of December 31, 2005.

At December 31, 2005, GFX held futures positions with a notional value of $106.6 million, offset by a similar amount of spot foreign exchange positions. The notional value of futures positions at December 31, 2004 totaled $99.1 million. All positions are marked to market through a charge or credit to other revenue on a daily basis. Net trading gains were $7.6 million for the year ended December 31, 2005, $7.7 million for the year ended December 31, 2004 and $6.8 million for the year ended December 31, 2003.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The company's internal control system has been designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of published financial statements.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2005. Management based this assessment on criteria for effective internal control over financial reporting described in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluating the design of the company's internal control over financial reporting and testing the operational effectiveness of the company's internal control over financial reporting. The results of its assessment were reviewed with the Audit Committee of the Board of Directors.

Based on this assessment, management believes that, as of December 31, 2005, the company's internal control over financial reporting is effective. The company's independent auditors have audited this assessment of the company's internal control over financial reporting, as stated in their report that is included herein.

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Chicago Mercantile Exchange Holdings Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Chicago Mercantile Exchange Holdings Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Chicago Mercantile Exchange Holdings Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Chicago Mercantile Exchange Holdings Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005 of Chicago Mercantile Exchange Holdings Inc. and our report dated February 10, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, Illinois
February 10, 2006

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

We have audited the accompanying consolidated balance sheets of Chicago Mercantile Exchange Holdings Inc. (a Delaware corporation) and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chicago Mercantile Exchange Holdings Inc. at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Chicago Mercantile Exchange Holdings Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 10, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, Illinois
February 10, 2006

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	AT DECEMBER 31 2005	2004
Assets		
Current Assets:		
Cash and cash equivalents	**$ 610,891**	$ 357,562
Collateral from securities lending	**2,160,893**	1,582,985
Short-term investments of interest earning facilities	**—**	87,521
Marketable securities, including pledged securities of $70,165 at December 31, 2005	**292,862**	302,429
Accounts receivable, net of allowance of $828 and $1,089	**86,980**	78,825
Other current assets	**39,669**	18,959
Cash performance bonds and security deposits	**592,127**	269,919
Total current assets	**3,783,422**	2,698,200
Property, net of accumulated depreciation and amortization	**153,329**	131,361
Other assets	**32,643**	27,905
Total Assets	**$3,969,394**	$2,857,466
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	**$ 23,553**	$ 23,045
Payable under securities lending agreements	**2,160,893**	1,582,985
Payable to participants in interest earning facilities	**—**	87,521
Other current liabilities	**53,354**	62,153
Cash performance bonds and security deposits	**592,127**	269,919
Total current liabilities	**2,829,927**	2,025,623
Other liabilities	**20,783**	19,246
Total Liabilities	**2,850,710**	2,044,869
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, 34,544,719 and 34,098,623 shares issued and outstanding as of December 31, 2005 and 2004, respectively	**345**	341
Class B common stock, $0.01 par value, 3,138 shares authorized, issued and outstanding	**—**	—
Additional paid-in capital	**324,848**	261,050
Retained earnings	**796,398**	552,801
Accumulated net unrealized securities losses	**(2,907)**	(1,595)
Total Shareholders' Equity	**1,118,684**	812,597
Total Liabilities and Shareholders' Equity	**$3,969,394**	$2,857,466

See accompanying notes to consolidated financial statements.

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

(in thousands, except per share data)	YEAR ENDED DECEMBER 31 2005	2004	2003
Revenues			
Clearing and transaction fees	**$ 696,201**	$ 552,953	$428,802
Processing services	**68,730**	55,882	1,752
Quotation data fees	**71,741**	60,940	53,168
Access fees	**18,866**	16,393	15,501
Communication fees	**8,964**	10,035	9,669
Investment income	**31,441**	14,520	9,245
Securities lending interest income	**58,725**	20,320	9,473
Other	**22,628**	21,759	17,174
Total Revenues	**977,296**	752,802	544,784
Securities lending interest expense	**(56,778)**	(19,013)	(8,743)
Net Revenues	**920,518**	733,789	536,041
Expenses			
Compensation and benefits	**179,594**	164,843	140,997
Occupancy	**28,529**	27,193	24,900
Professional fees, outside services and licenses	**44,832**	37,200	31,683
Communications and computer and software maintenance	**57,935**	48,264	45,765
Depreciation and amortization	**64,917**	53,408	53,016
Marketing, advertising and public relations	**13,278**	10,973	11,872
Other	**23,054**	24,252	21,683
Total Expenses	**412,139**	366,133	329,916
Income Before Income Taxes	**508,379**	367,656	206,125
Income tax provision	**(201,522)**	(148,101)	(83,993)
Net Income	**$ 306,857**	$ 219,555	$122,132
Earnings per Common Share:			
Basic	**$ 8.94**	$ 6.55	$ 3.74
Diluted	**8.81**	6.38	3.60
Weighted Average Number of Common Shares:			
Basic	**34,315**	33,545	32,691
Diluted	**34,839**	34,411	33,935

See accompanying notes to consolidated financial statements.

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

(in thousands, except share and per share data)	Class A Common Stock Shares	Class B Common Stock Shares	Common Stock and Additional Paid-In Capital Amount	Retained Earnings	Accumulated Net Unrealized Securities Gains (Losses)	Total Shareholders' Equity
Balance December 31, 2002	32,530,372	3,138	$ 179,329	$266,810	$ —	$ 446,139
Comprehensive income:						
Net income				122,132		122,132
Change in net unrealized gain on securities, net of tax of $49					73	73
Total comprehensive income						122,205
Cash dividends on common stock of $0.63 per share				(20,630)		(20,630)
Exercise of stock options	369,489		7,878			7,878
Excess tax benefits from option exercises and restricted stock vesting			5,915			5,915
Vesting of issued restricted Class A common stock	22,200					
Stock-based compensation			1,488			1,488
Balance December 31, 2003	32,922,061	3,138	$ 194,610	$368,312	$ 73	$ 562,995
Comprehensive income:						
Net income				219,555		219,555
Change in net unrealized gain on securities, net of tax of $1,135					(1,668)	(1,668)
Total comprehensive income						217,887
Cash dividends on common stock of $1.04 per share				(35,066)		(35,066)
Exercise of stock options	1,152,255		6,049			6,049
Excess tax benefits from option exercises and restricted stock vesting			52,982			52,982
Vesting of issued restricted Class A common stock	24,307					
Stock-based compensation			7,750			7,750
Balance December 31, 2004	34,098,623	3,138	$ 261,391	$552,801	$ (1,595)	$ 812,597
Comprehensive income:						
Net income				**306,857**		**306,857**
Change in net unrealized loss on securities, net of tax of $833					**(1,312)**	**(1,312)**
Total comprehensive income						**305,545**
Cash dividends on common stock of $1.84 per share				**(63,260)**		**(63,260)**
Exercise of stock options	**417,471**		**6,956**			**6,956**
Excess tax benefits from option exercises and restricted stock vesting			**43,361**			**43,361**
Vesting of issued restricted Class A common stock	**25,268**					
Shares issued to Board of Directors	**2,233**		**476**			**476**
Shares issued under the employee stock purchase plan	**1,124**		**373**			**373**
Stock-based compensation			**12,636**			**12,636**
Balance December 31, 2005	**34,544,719**	**3,138**	**$ 325,193**	**$796,398**	**$ (2,907)**	**$ 1,118,684**

See accompanying notes to consolidated financial statements.

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

(in thousands)	YEAR ENDED DECEMBER 31 2005	2004	2003
Cash Flows from Operating Activities:			
Net income	**$306,857**	$ 219,555	$ 122,132
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**64,917**	53,408	53,016
Stock-based compensation	**12,636**	7,750	1,488
Excess tax benefits related to employee option exercises and restricted stock vesting	**43,361**	52,982	5,915
Amortization of shares issued to Board of Directors	**318**	—	—
Change in deferred income taxes	**(3,245)**	4,263	3,310
Loss on investment in joint venture	**2,636**	3,593	4,958
Amortization of net premiums on marketable securities	**2,254**	3,159	—
Amortization of purchased intangibles	**732**	361	—
Loss on disposal of fixed assets	**676**	930	1,323
Change in allowance for doubtful accounts	**(261)**	223	(366)
Change in accounts receivable	**(7,894)**	(26,076)	(1,741)
Change in other current assets	**(17,467)**	5,965	(10,074)
Change in other assets	**(5,239)**	(781)	(4,844)
Change in accounts payable	**508**	(1,645)	(2,917)
Change in other current liabilities	**(9,368)**	7,539	14,337
Change in other liabilities	**172**	(2,420)	4,612
Net Cash Provided by Operating Activities	**391,593**	328,806	191,149
Cash Flows from Investing Activities:			
Purchases of property, net	**(85,627)**	(67,496)	(63,016)
Purchases of marketable securities	**(70,063)**	(120,182)	(256,416)
Proceeds from maturities of marketable securities	**75,231**	68,329	—
Purchases of intangible assets	**(1,030)**	(4,867)	—
Capital contributions to joint venture	**(844)**	(1,620)	(7,619)
Net Cash Used in Investing Activities	**(82,333)**	(125,836)	(327,051)
Cash Flows from Financing Activities:			
Cash dividends	**(63,260)**	(35,066)	(20,630)
Proceeds from exercise of stock options	**6,956**	6,049	7,878
Proceeds from employee stock purchase plan	**373**	—	—
Payments on long-term debt	**—**	(1,515)	(5,482)
Net Cash Used in Financing Activities	**(55,931)**	(30,532)	(18,234)
Net change in cash and cash equivalents	**253,329**	172,438	(154,136)
Cash and cash equivalents, beginning of year	**357,562**	185,124	339,260
Cash and Cash Equivalents, End of Year	**$610,891**	$ 357,562	$ 185,124
Supplemental Disclosure of Cash Flow Information:			
Interest paid (excluding interest for securities lending)	**$ 717**	$ 2,096	$ 379
Income taxes paid	**169,375**	84,877	79,726
Non-cash investing activities:			
Change in net unrealized securities gains (losses)	**(2,145)**	(2,803)	122

See accompanying notes to consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Chicago Mercantile Exchange Holdings Inc. (CME Holdings) is a Delaware stock corporation organized in August 2001 to be the holding company for Chicago Mercantile Exchange Inc. and its subsidiaries (CME or the exchange). Through the completion of a demutualization process, Chicago Mercantile Exchange, an Illinois not-for-profit membership organization, became a Delaware for-profit stock corporation. The transaction resulted in the conversion of membership interests in the Illinois corporation into stock ownership in the Delaware corporation and was completed on November 13, 2000.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include Chicago Mercantile Exchange Inc. and its subsidiaries, which include GFX Corporation (GFX), the first Interest Earning Facilities (IEFs) and CME Alternative Marketplace Inc., as well as the holding company, CME Holdings (collectively, the company). All intercompany transactions have been eliminated in consolidation.

The assets of CME Holdings consist of marketable securities, cash from dividends received from CME in excess of dividends paid to the shareholders of CME Holdings and its investment in CME. CME Holdings has no liabilities other than to CME for income taxes arising from investment income and other expenses.

Effective July 1, 2003, the consolidated financial statements include the first IEF program to reflect the provisions of Financial Accounting Standards Board Interpretation (FIN) No. 46(R), “Consolidation of Variable Interest Entities–An Interpretation of Accounting Research Bulletin No. 51.” In December 2005, management discontinued operation of the first IEFs, at which time the investments were liquidated and balances were returned to participants.

Effective September 8, 2005, CME Alternative Marketplace Inc., a wholly owned subsidiary of Chicago Mercantile Exchange Inc. and an exempt board of trade registered with the Commodity Futures Trading Commission, was established for the trading of CME economic derivatives. CME economic derivatives are options and forwards geared to seven key U.S. and European economic indicators that trade in an auction format via CME Auction Markets and are cleared and guaranteed by CME.

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

Marketable Securities. Marketable securities have been classified as available for sale and are carried at fair value based on quoted market prices, with net unrealized gains and losses reported net of tax as a component of shareholders' equity. Interest on marketable securities is recognized as income when earned and includes accreted discount less amortized premium. Realized gains and losses are calculated using specific identification. Additional securities held in connection with non-qualified deferred compensation plans have been classified as trading securities. These securities are included in other assets in the accompanying consolidated balance sheets at fair value, and net realized and unrealized gains and losses as well as dividend income are reflected in investment income.

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

Accounts Receivable. In the ordinary course of business, a significant portion of accounts receivable and revenues are from clearing firms that are also required to be shareholders of the company. Exposure to losses on receivables for clearing and transaction fees and other amounts owed by clearing firms is dependent on each clearing firm's financial condition as well as the Class A and Class B shares that collateralize fees owed to the exchange. The exchange retains the right to liquidate shares to satisfy a clearing firm's receivable.

At December 31, 2005, there were approximately 80 clearing firms. No one firm represented more than 10% of our clearing and transaction fees revenue in 2005. In 2004, one firm with a significant portion of customer revenue represented approximately 11% of clearing and transaction fees revenue. Should a clearing firm withdraw from the exchange, management believes the customer portion of that firm's trading activity would likely transfer to another clearing firm. Therefore, management does not believe the company is exposed to significant risk from the loss of revenue received from a particular clearing firm.

The two largest resellers of CME market data represented approximately 53% of quotation data fees revenue in 2005 and 56% in 2004. Should one of these vendors no longer subscribe to CME market data, management believes the majority of that firm's customers would likely subscribe to the market data through another reseller. Therefore, management does not believe the company is exposed to significant risk from a loss of revenue received from any particular market data reseller.

Performance Bonds and Security Deposits. Performance bonds and security deposits held by the exchange for clearing firms may be in the form of cash, securities or deposits in one of the IEFs. Cash performance bonds and security deposits are reflected in the consolidated balance sheets. Cash received may be invested by the exchange. These investments are primarily overnight transactions in U.S. Government securities acquired through and held by a broker-dealer subsidiary of a bank. Any interest earned on these investments accrues to the exchange and is included in investment income in the consolidated statements of income.

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

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

Software. The company capitalizes certain costs of developing internal use software in accordance with the American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Capitalized costs generally are amortized over three years, commencing as the software is placed in service. Purchased software is amortized over four years.

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

Revenue Recognition. The company's revenue recognition policies comply with Staff Accounting Bulletin No. 101 on revenue recognition. On occasion, customers will pay for services in a lump sum payment. When these circumstances occur, revenue is recognized as services are provided.

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

Processing Services. Processing services includes revenues accrued in the time period earned based on contract terms for providing clearing and settlement services primarily to the Chicago Board of Trade (CBOT) beginning in November 2003.

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

Access Fees. Access fees are the connectivity charges to customers of CME's electronic trading platform that are also used by market data vendors and customers. They include line charges, license fees for CME Globex software and hardware rental charges. The fees vary depending on the type of connection provided. An additional installation fee may be charged depending on the type of service requested and a disconnection fee may also be charged if certain conditions are met. Revenue is recognized monthly as the service is provided. An allowance is established to cover uncollectible receivables relating to access fees.

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

Stock-Based Payments. The company accounts for stock-based payments under the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." All periods presented reflect stock-based compensation expense recognized in accordance with the provisions of SFAS No. 123 applied to all options granted to employees during the periods presented. The company recognizes expense relating to stock-based compensation on an accelerated basis. As a result, the expense associated with each vesting date within a stock grant is recognized over the period of time that each portion of that grant vests. Forfeitures of unvested stock grants are recognized as a reduction of expense when they occur.

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

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

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

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

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

Recent Accounting Pronouncements. In December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R), "Share-Based Payment," which requires use of the fair value method of accounting for share-based payments. At year-end 2002, the company adopted the fair value method for expensing stock options under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Under SFAS No. 123(R), the company will be required to estimate expected forfeitures of stock grants instead of the current practice of accounting for forfeitures as they occur. In addition, the company will begin to classify the excess tax benefits, if any, related to employee option exercises as financing activities rather than operating activities in the consolidated statements of cash flows. This requirement will reduce net operating cash flows and increase net financing cash flows in the periods after adoption. It is not possible to estimate what those amounts will be in the future because they are dependent on, among other things, when employees exercise stock options. The company plans to continue to use the Black-Scholes model, which has been used since adopting the fair value method, to determine the fair value of stock option grants. In April 2005, the U.S. Securities and Exchange Commission adopted a rule that amended the effective dates of SFAS No. 123(R). Under this rule, SFAS No. 123(R) is now effective for public companies at the beginning of the first fiscal year that begins after June 15, 2005. The company will adopt SFAS No. 123(R) effective January 1, 2006. The impact of adoption is not expected to be material to the company's annual results.

3. SECURITIES LENDING

Securities lending transactions utilize a portion of the securities that clearing firms have deposited to satisfy their proprietary performance bond requirements. Under its securities lending program, CME lends a security to a third party and receives collateral in the form of cash. The majority of the cash is then invested on an overnight basis to generate interest income. The related interest expense represents payment to the borrower of the security for the cash collateral retained during the duration of the lending transaction. Securities on loan are marked-to-market daily and compared to collateral received. At December 31, 2005 and 2004, the fair value of securities on loan was $2.2 billion and $1.6 billion, respectively. CME's policy allows lending of up to 70% of total securities available, which is an increase from 2004 when the policy allowed lending of up to 50% of total securities available. At December 31, 2005, the securities lending activity utilized some of the securities deposited by 17 clearing firms. At December 31, 2005 and 2004, securities available totaled $7.4 billion and $5.7 billion, respectively, and collateral from securities lending was held in the form of cash or invested in a bank money market mutual fund or overnight repurchase agreement. The average daily balance of securities on loan for the years ended December 31, 2005, 2004 and 2003 was $1.8 billion, $1.4 billion and $0.7 billion, respectively.

4. MARKETABLE SECURITIES

Marketable securities have been classified as available for sale. The amortized cost and fair value of marketable securities at December 31 were as follows:

(in thousands)	2005 Amortized Cost	2005 Fair Value	2004 Amortized Cost	2004 Fair Value
U.S. Treasury	**$ 221,608**	**$ 218,238**	$ 193,929	$ 192,198
U.S. Government agency	**37,883**	**37,107**	68,423	67,788
State and municipal	**38,196**	**37,517**	42,757	42,443
Total	**$ 297,687**	**$ 292,862**	$ 305,109	$ 302,429

Net unrealized gains (losses) on marketable securities classified as available for sale are reported as a component of comprehensive income and included in the accompanying consolidated statements of shareholders' equity. The fair value and the duration of gross unrealized losses on marketable securities, with unrealized losses that are not deemed to be other-than-temporarily impaired, at December 31, 2005 and 2004 were as follows:

	2005					
	Less Than 12 Months		12 Months or Greater		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	**$ 87,819**	**$ 302**	**$ 130,419**	**$ 3,068**	**$ 218,238**	**$ 3,370**
U.S. Government agency	**—**	**—**	**37,107**	**776**	**37,107**	**776**
State and municipal	**2,444**	**46**	**35,073**	**633**	**37,517**	**679**
Total	**$ 90,263**	**$ 348**	**$ 202,599**	**$ 4,477**	**$ 292,862**	**$ 4,825**

	2004					
	Less Than 12 Months		12 Months or Greater		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	$ 174,704	$ 1,900	$ —	$ —	$ 174,704	$ 1,900
U.S. Government agency	67,788	634	—	—	67,788	634
State and municipal	38,461	322	1,410	2	39,871	324
Total	$ 280,953	$ 2,856	$ 1,410	$ 2	$ 282,363	$ 2,858

These unrealized losses were caused by increases in interest rates that occurred after the marketable securities were purchased. The company has the ability and intent to hold these marketable securities until a recovery of fair value, which may be maturity, and therefore does not consider these investments to be other-than-temporarily impaired at December 31, 2005 or 2004.

The amortized cost and fair value of marketable securities at December 31, 2005, by contractual maturity, were as follows:

(in thousands)	Amortized Cost	Fair Value
Maturity of one year or less	**$ 65,168**	**$ 64,461**
Maturity between one and five years	**215,541**	**211,644**
Maturity between five and ten years	**8,883**	**8,811**
Maturity of greater than ten years	**8,095**	**7,946**
Total	**$ 297,687**	**$ 292,862**

In October 2005, CME approved the use of up to $100.0 million in U.S. Treasury securities as collateral in connection with its mutual offset agreement with Singapore Exchange Derivatives Trading Ltd. (SGX) (note 18). The company retains the earnings on the securities and may substitute these U.S. Treasury securities for letters of credit at its discretion. The fair value of these pledged securities, which mature in 2007, was $70.2 million at December 31, 2005. These pledged securities are included within marketable securities in the consolidated balance sheets.

5. OTHER CURRENT ASSETS

Other current assets consisted of the following at December 31:

(in thousands)	2005	2004
Prepaid maintenance agreements	**$ 7,577**	$ 4,779
Net deferred taxes	**6,419**	3,334
Refundable income taxes	**5,810**	—
Prepaid pension	**5,500**	3,611
Accrued interest receivable	**4,695**	2,800
Prepaid insurance	**3,547**	3,090
Due from broker for maturity of marketable security	**2,009**	—
Prepaid software agreements	**1,607**	—
Prepaid expenses	**1,551**	911
Other	**954**	434
Total	**$39,669**	$ 18,959

6. PERFORMANCE BONDS AND SECURITY DEPOSITS

The exchange is a designated contract market for futures and options on futures contracts, and clears and guarantees the settlement of all contracts traded in its markets. In its guarantor role, the exchange has precisely equal and offsetting claims to and from clearing firms on opposite sides of each contract, standing as an intermediary on every open futures and options on futures contract cleared. Additionally, CME began clearing CBOT products on November 13, 2003. CME acts as guarantor for products traded at the CBOT, but cleared by CME. For CBOT products cleared by CME, CME combines those positions with that clearing firm's CME positions to create a single portfolio for which performance bond and security deposit requirements are calculated. To the extent that funds are not otherwise available to the exchange to satisfy an obligation under the applicable contract, CME bears counterparty credit risk in the event that future market movements create conditions that could lead to clearing firms failing to meet their obligations to the exchange. CME reduces its exposure through a risk management program that includes initial and ongoing financial standards for designation as a clearing firm, initial and maintenance performance bond requirements and mandatory security deposits. Each clearing firm is required to deposit and maintain balances in the form of cash, U.S. Government securities, bank letters of credit or other approved investments to satisfy security deposit and performance bond requirements. All obligations and non-cash deposits are marked-to-market on a daily basis. Valuation calculations employ a factor, or haircut, that is applied to the current market prices of these obligations and non-cash deposits. These haircuts are applied for risk management purposes. Cash performance bonds and security deposits are included in the consolidated balance sheets, and these balances may fluctuate significantly over time due to the investment choices available to clearing firms and the change in the amount of deposits required.

Clearing firms, at their option, may instruct CME to invest cash on deposit in a portfolio of securities that is part of the IEF program. The first IEFs were 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 $87.5 million at December 31, 2004 and was guaranteed by the exchange (note 9). Operation of the first IEFs was discontinued in the fourth quarter of 2005, at which time investments were liquidated, balances returned to participants and CME's guarantee terminated. In 2001, IEF2 was organized. IEF2 offers clearing firms the opportunity to invest cash performance bonds and security deposits in shares of CME-approved money market mutual funds. Dividends earned on these shares, net of fees, are solely for the account of the clearing firm on whose behalf the shares were purchased. The principal of IEF2 is not guaranteed by the exchange. In the third quarter of 2003, IEF3 was organized. IEF3 offers clearing firms the opportunity to manage performance bond collateral by allowing firms to pledge securities, such as corporate notes and municipal bonds, to CME on an overnight basis in exchange for cash previously deposited. In the fourth quarter of 2003, CME organized the IEF4 program. Similar in nature to IEF3, IEF4 affords participating clearing firms the ability to pledge securities such as corporate notes and municipal bonds to CME, but under IEF4 the securities are under CME's control until such time as CME releases them to the control of the pledging firm or until the securities mature. CME organized the IEF5 program in 2004. The IEF5 program allows participating clearing firms the ability to invest cash in an interest-bearing bank account, maintained at selected banks, in order to earn a cash benefit. As with IEF2, the principal of IEF3, IEF4, as well as the principal and accrued benefit of IEF5, is not guaranteed by CME. The total principal in all IEF programs was $19.6 billion at December 31, 2005 and $19.2 billion at December 31, 2004. The consolidated financial statements reflect earned management fees under the IEF programs of $8.6 million, $8.0 million and $6.2 million during 2005, 2004 and 2003, respectively. These fees are included in other revenues.

CME and the Options Clearing Corporation (OCC) have a cross-margin arrangement, whereby a common clearing firm may maintain a cross-margin account in which the clearing firm's positions in certain CME futures and options on futures are combined with certain positions cleared by OCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME and OCC (note 18). Cross-margin cash, securities and letters of credit jointly held with OCC under the cross-margin agreement are reflected at 50% of the total, or CME's proportionate share per that agreement. In addition, CME has cross-margin agreements with the LCH.Clearnet Group (LCH), the Fixed Income Clearing Corporation (FICC) and the New York Mercantile Exchange (NYMEX) whereby the clearing firms' offsetting positions with CME and LCH, CME and FICC, or CME and NYMEX, as applicable, are subject to reduced performance bond requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and LCH, CME and FICC, or CME and NYMEX, as applicable, each clearing house may reduce that firm's performance bond requirements.

Each clearing firm also is required to deposit and maintain specified security deposits in the form of cash or approved securities. In the event that performance bonds and security deposits of a defaulting clearing firm are inadequate to fulfill that clearing firm's outstanding financial obligation, the entire security deposit fund is available to cover potential losses after first utilizing operating funds of the exchange in excess of amounts needed for normal operations (surplus funds). Surplus funds totaled $139.9 million at December 31, 2005.

The exchange maintains a secured line of credit with a consortium of banks to provide liquidity and capacity to pay settlement variation to all clearing firms, even if a clearing firm may have failed to meet its financial obligations to CME, or in the event of a temporary disruption with the domestic payments system that would delay payment of settlement variation between the exchange and its clearing firms (note 17). The line of credit totaled $750.0 million at December 31, 2005 and 2004. Clearing firm security deposits received in the form of U.S. Treasury or Government agency securities, or in money market mutual funds purchased through IEF2, as well as the performance bond assets of any firm that may default on its obligations to CME, can be used to collateralize the secured line of credit.

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

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

	2005		**2004**	
(in thousands)	**Cash**	**Securities and IEF Funds**	**Cash**	**Securities and IEF Funds**
Performance bonds	**$ 578,983**	**$ 45,809,757**	$ 255,273	$ 43,442,645
Security deposits	**12,557**	**1,236,229**	11,920	1,008,897
Cross-margin arrangements	**587**	**531,725**	2,726	633,918
Total	**$ 592,127**	**$ 47,577,711**	$ 269,919	$ 45,085,460

Cash performance bonds may include intraday settlement, if any, that is owed to clearing firms and paid the following business day. The balance of intraday settlements was $78.0 million at December 31, 2005 and $41.4 million at December 31, 2004. These amounts are invested on an overnight basis and are offset by an equal liability owed to other clearing firms.

On October 17, 2005, Refco Inc., the parent company of one of CME's clearing firms, Refco LLC, filed for bankruptcy. This bankruptcy filing did not affect Refco LLC, the regulated futures entity within Refco Inc., and Refco LLC remained a clearing firm in good standing with CME. On November 25, 2005, substantially all of the assets and a portion of the liabilities of Refco LLC were sold to Man Financial Inc., another clearing firm of CME, pursuant to an order entered in the United States Bankruptcy Court for the Southern District of New York. Immediately following this transaction, Refco LLC filed for bankruptcy. At the date of the sale to Man Financial Inc., CME retained assets totaling $75.6 million to satisfy claims of the exchange, its clearing firms and members against Refco LLC. At December 31, 2005, security deposits included $71.7 million of these retained assets that were invested in U.S. Treasury securities and IEF2. In January 2006, $67.5 million of these assets were returned to the bankruptcy trustee on behalf of the Refco LLC estate. As of January 27, 2006, CME continued to hold $3.7 million while a determination is made on the outcome of the claims filed with the exchange that totaled this amount. Substantially all amounts owed by Refco LLC to CME were collected from these retained assets prior to year-end 2005. Any remaining balances owed were paid to CME before the return of the assets to the bankruptcy trustee.

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

(in thousands)	2005	2004
Performance bonds	**$ 605,945**	$ 496,625
Security deposits	**45,000**	10,000
Cross-margin arrangements	**18,500**	164,250
Total Letters of Credit	**$ 669,445**	$ 670,875

All cash, securities and letters of credit are only available to meet the financial obligations of that clearing firm to the exchange.

7. PROPERTY

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

(in thousands)	2005	2004
Furniture, fixtures and equipment	**$ 197,121**	$ 176,326
Leasehold improvements	**135,727**	129,713
Software and software development costs	**114,024**	91,962
Total property	**446,872**	398,001
Accumulated depreciation and amortization	**(293,543)**	(266,640)
Property, net	**$ 153,329**	$ 131,361

Included in property is equipment that was acquired through capital leases with a cost of $11.0 million and $11.7 million (and accumulated depreciation and amortization of $11.0 million and $11.1 million) at December 31, 2005 and 2004, respectively. Depreciation for these assets is included in depreciation and amortization expense. During 2004, the company repaid the remainder of its capitalized lease obligations. Therefore, there were no outstanding capital lease obligations as of December 31, 2005 and 2004.

8. OTHER ASSETS

Other assets consisted of the following at December 31:

(in thousands)	2005	2004
Non-qualified deferred compensation plans	**$14,176**	$ 11,654
Net deferred taxes	**8,498**	7,506
Intangible assets	**4,803**	4,505
Prepaid software agreements	**2,135**	—
Prepaid pension	**789**	—
Investment in OneChicago, LLC	**126**	1,918
Other	**2,116**	2,322
Total	**$32,643**	$ 27,905

Non-qualified plan assets consist primarily of trading securities held in connection with non-qualified deferred compensation plans (note 14). Investment income includes net realized and unrealized gains and losses as well as dividend income relating to the plans' trading securities of $1.1 million, $1.0 million and $1.7 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Intangible assets represent the intellectual property and operating assets of Liquidity Direct Technology, LLC, a private trading technology firm that developed technology to facilitate the trading of complex combinations and spreads typically used with options. CME acquired the assets of Liquidity Direct Technology, LLC in 2004. The cost of these intangible assets was $5.9 million and $4.9 million, respectively, at December 31, 2005 and 2004 (note 12). The accumulated amortization for these assets was $1.1 million and $0.4 million, respectively, at December 31, 2005 and 2004. The weighted average amortization period of these intangible assets is eight years.

As of December 31, 2005, CME owns approximately a 40% interest in the OneChicago, LLC joint venture and the investment is reflected in the consolidated financial statements using the equity method of accounting. The investment balance at December 31, 2005 represents CME's total capital contribution of $14.5 million reduced by CME's proportionate share of the joint venture's net loss. The net loss is included in other revenues and totaled $2.6 million, $3.6 million and $5.0 million for the years ended December 31, 2005, 2004 and 2003, respectively. CME provides certain communications and regulatory services to OneChicago, LLC, fees from which are included in other revenues, and earned $2.2 million, $2.7 million and $2.7 million in revenue for these services in 2005, 2004 and 2003, respectively.

9. VARIABLE INTEREST ENTITIES

FIN No. 46(R), "Consolidation of Variable Interest Entities," which superseded FIN No. 46, addresses the requirements for business enterprises to consolidate related entities in which they are determined to be the primary beneficiary as a result of their variable economic interests. CME evaluated its obligation with respect to the first IEFs and determined that they were variable interest entities and CME was the primary beneficiary. As a result, CME was required to consolidate the first IEFs for periods ending after December 15, 2003. CME elected to adopt the provisions of FIN No. 46 as of July 1, 2003, prior to the required effective date. FIN No. 46 was implemented on a prospective basis and did not result in any cumulative effect on the income statement. The effect of this consolidation, as a result of the adoption of FIN No. 46 and FIN No. 46(R), was an increase to both assets and liabilities of $87.5 million at December 31, 2004. There was no significant impact on revenues or expenses. Operation of the first IEFs was discontinued in the fourth quarter of 2005, at which time investments were liquidated, balances returned to participants and CME's guarantee terminated.

OneChicago, LLC is also a variable interest entity. However, CME has concluded that it does not meet the consolidation requirements set forth in FIN No. 46(R).

10. INCOME TAXES

The provision for income taxes is composed of the following:

(in thousands)	YEAR ENDED DECEMBER 31 2005	2004	2003
Current:			
Federal	**$166,575**	$117,701	$65,064
State	**38,192**	26,137	15,619
Total	**204,767**	143,838	80,683
Deferred:			
Federal	**(1,974)**	3,754	3,777
State	**(1,271)**	509	(467)
Total	**(3,245)**	4,263	3,310
Total Provision for Income Taxes	**$201,522**	$148,101	$83,993

Reconciliation of the statutory U.S. federal income tax rate to the effective tax rate is as follows:

	YEAR ENDED DECEMBER 31 2005	2004	2003
Statutory U.S. federal tax rate	**35.0%**	35.0%	35.0%
State taxes, net of federal benefit	**4.7**	4.7	4.8
Federal tax-exempt interest income	**(0.3)**	(0.1)	—
Non-deductible expenses	**0.1**	0.4	0.4
Other, net	**0.1**	0.3	0.5
Effective Tax Rate	**39.6%**	40.3%	40.7%

Net deferred tax assets are included in both other current assets and other assets. At December 31, the components of these deferred taxes were as follows:

(in thousands)	2005	2004
Current Deferred Tax Assets:		
Stock-based compensation	**$ 2,521**	$ 636
Net unrealized losses on securities	**1,918**	1,085
Accrued expenses	**1,796**	1,301
Other	**184**	465
Subtotal	**6,419**	3,487
Valuation allowance	—	—
Current Deferred Tax Assets	**6,419**	3,487
Current Deferred Tax Liabilities:		
Other	—	(153)
Current Deferred Tax Liabilities	—	(153)
Net Current Deferred Tax Assets	**$ 6,419**	$ 3,334
Non-Current Deferred Tax Assets:		
Depreciation and amortization	**$ 6,868**	$ 5,977
Stock-based compensation	**4,799**	3,497
Deferred compensation	**4,592**	3,440
Long-term liabilities	**246**	—
Other	**1,035**	1,470
Subtotal	17,540	14,384
Valuation allowance	—	—
Non-Current Deferred Tax Assets	**17,540**	14,384
Non-Current Deferred Tax Liabilities:		
Software development costs	**(9,026)**	(6,878)
Other	**(16)**	—
Non-Current Deferred Tax Liabilities	**(9,042)**	(6,878)
Net Non-Current Deferred Tax Assets	**$ 8,498**	$ 7,506

The company expects to realize the benefit of all deferred tax assets based on the expectation of future taxable income and, therefore, no valuation allowances have been established at December 31, 2005 or 2004.

11. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following at December 31:

(in thousands)	2005	2004
Accrued employee bonus	**$29,413**	$29,324
Accrued operating expenses	**12,077**	14,729
Accrued salaries and benefits	**5,966**	7,602
Accrued income taxes	**2,593**	4,579
Accrued fee adjustments	**1,228**	3,113
Unearned revenue	**598**	1,601
Other	**1,479**	1,205
Total	**$53,354**	$62,153

12. COMMITMENTS

Leases. CME has commitments under operating leases for certain facilities that are accounted for in accordance with SFAS No. 13, "Accounting for Leases." Lease commitments for office space at the main location in Chicago expire in the year 2008, with annual minimum rentals ranging from \$8.9 million to \$9.5 million. CME leases trading facilities from the Chicago Mercantile Exchange Trust (CME Trust) through October 2009, with annual minimum rentals between approximately \$0.7 million and \$0.8 million, with options to extend the term of the lease through October 2012 and two successive seven-year extensions through October 2019 and October 2026. Minimum annual rent for these extensions begins at \$0.7 million for the period from November 2009 through October 2012 and declines to \$0.2 million for the last extension from November 2019 through October 2026. Additional rental expense is incurred in connection with these trading facilities based on annual open outcry trading volume. This expense totaled \$0.6 million, \$0.9 million and \$1.0 million for the years ended December 31, 2005, 2004 and 2003, respectively. Currently, annual rent paid to CME Trust cannot exceed \$2.0 million. The CME Trust is an entity that was established to provide financial assistance, on a discretionary basis, to customers of an exchange member who are threatened with financial loss related to futures transactions on the exchange as a result of the member's insolvency or adverse financial condition. No outside parties, including CME, have any residual interest in the assets of CME Trust.

Leases for other locations where CME maintains offices expire at various times from 2009 to 2014 with annual minimum rentals that will not exceed \$2.5 million in any year.

Total rental expense, including equipment rental, was \$23.3 million in 2005, \$22.5 million in 2004 and \$21.0 million in 2003.

Commitments. Commitments include long-term liabilities (note 13) as well as contractual obligations that are non-cancelable. These contractual obligations totaled \$56.2 million at December 31, 2005 and relate primarily to software licenses and maintenance as well as telecommunication services that are expensed as the related services are used.

Future minimum obligations under non-cancelable purchase obligations and operating leases in effect at December 31, 2005 are payable as follows:

(in thousands)	Purchase Obligations	Operating Leases
2006	**$ 21,670**	**$ 12,996**
2007	**11,661**	**12,693**
2008	**4,932**	**12,162**
2009	**2,963**	**3,242**
2010	**2,459**	**2,407**
Thereafter	**12,489**	**7,465**
Total Minimum Payments	**$ 56,174**	**$ 50,965**

Licensing Agreements. CME has licensing agreements relating to certain equity index products. The license agreement with Standard & Poor's provides that the S&P 500 Index futures and options on futures will be exclusive through December 31, 2008, after which we will retain our exclusive rights through December 31, 2016 so long as certain requirements are met. The license agreement with The Nasdaq Stock Market, Inc. is exclusive with respect to futures and options on futures contracts based on certain NASDAQ indexes through October 9, 2007 with an automatic renewal until October 9, 2012.

Asset Purchase Agreement. In 2004, CME acquired the intellectual property and operating assets of Liquidity Direct Technology, LLC, a private trading technology firm that had developed technology to facilitate the trading of complex combinations and spreads typically used with options. The purchase agreement required an initial payment of \$5.3 million with additional payments for a three-year period, not to exceed \$16.8 million, based on revenue generated when this electronic platform was implemented. The platform was implemented in the third quarter of 2004 and additional payments and obligations totaled \$1.1 million in 2005 and \$0.1 million in 2004. These amounts are capitalized and amortized over the remaining life of the acquired assets.

Wagner Patent Litigation. On August 26, 2002, a lawsuit with eSpeed, Inc. relating to the Wagner patent was settled for $15.0 million. The settlement required CME to make an initial $5.0 million payment in September 2002 and five subsequent annual payments of $2.0 million each beginning in August 2003. The present value of the settlement, or $13.7 million, was recognized as an expense in the third quarter of 2002. On December 23, 2002, CME signed an agreement to resolve an indemnification dispute with Euronext-Paris related to CME's settlement of the Wagner patent litigation. Under the agreement, Euronext-Paris agreed to pay CME $7.5 million, one-half of CME's settlement with eSpeed. CME recognized the present value of the entire $7.5 million settlement in the fourth quarter of 2002 as a reduction of the expense recognized in the third quarter of 2002. All payments from Euronext-Paris were received in 2003.

13. OTHER LIABILITIES

Other liabilities consisted of the following at December 31:

(in thousands)	2005	2004
Non-qualified deferred compensation plans	**$14,176**	$ 11,654
Deferred rent	**3,366**	1,953
Litigation settlement payable	**1,801**	3,551
Unearned revenue	**1,165**	1,180
Other	**275**	908
Total	**$20,783**	$ 19,246

14. EMPLOYEE BENEFIT PLANS

Pension Plan. The exchange maintains a non-contributory defined benefit cash balance pension plan for eligible employees. Employees who have completed a continuous 12-month period of employment and have reached the age of 21 are eligible to participate. The plan provides for an age-based contribution to the cash balance account and includes salary and cash bonuses in the definition of earnings. Participant cash balance accounts receive an interest credit equal to the greater of the one-year constant maturity yield for U.S. Treasury notes or 4%. Participants become vested in their accounts after five years. The measurement date used for the plan is December 31.

A reconciliation of beginning and ending balances of the projected benefit obligation, fair value of plan assets, the prepaid benefit and the components of pension expense are indicated below:

	YEAR ENDED DECEMBER 31	
(in thousands)	2005	2004
Change in Projected Benefit Obligation:		
Benefit obligation at beginning of year	**$35,450**	$32,115
Service cost	**4,960**	4,149
Interest cost	**2,344**	2,064
Actuarial loss (gain)	**2,960**	(966)
Benefits paid	**(1,612)**	(1,912)
Projected Benefit Obligation at End of Year	**$44,102**	**$35,450**

The accumulated benefit obligation at December 31, 2005 and 2004 was $34.0 million and $27.4 million, respectively.

(in thousands)	2005	2004	2003
Change in Plan Assets:			
Fair value of plan assets at beginning of year	**$36,712**	$32,582	$22,148
Actual return on plan assets	**2,043**	3,542	4,958
Employer contribution	**7,500**	2,500	6,743
Benefits paid	**(1,612)**	(1,912)	(1,267)
Fair Value of Plan Assets at End of Year	**$44,643**	$36,712	$32,582
Funded Status at December 31:	**$ 541**	$ 1,262	$ 467
Unrecognized transition asset	**—**	—	(38)
Unrecognized prior service cost	**57**	63	44
Unrecognized net actuarial gain	**5,691**	2,286	4,490
Total Prepaid Benefit	**$ 6,289**	$ 3,611	$ 4,963
Components of Net Pension Expense:			
Service cost	**$ 4,960**	$ 4,149	$ 3,645
Interest cost	**2,344**	2,064	1,953
Expected return on plan assets	**(2,586)**	(2,304)	(1,543)
Amortization of prior service cost	**6**	(19)	(44)
Amortization of transition asset	**—**	(38)	(74)
Recognized net actuarial gain	**97**	—	362
Net Pension Expense	**$ 4,821**	$ 3,852	$ 4,299

The assumptions used to determine end of year projected benefit obligation and net pension expense are indicated below:

	2005	2004
Assumptions Used to Determine End of Year Benefit Obligation:		
Discount rate	**5.50%**	5.75%
Rate of compensation increase	**5.00**	5.00
Cash balance interest crediting rate	**4.00**	4.00

	2005	2004	2003
Assumptions Used to Determine Net Pension Expense:			
Discount rate	**5.75%**	6.25%	6.75%
Rate of compensation increase	**5.00**	5.00	5.00
Expected return on plan assets	**7.50**	7.50	7.50
Interest crediting rate	**4.00**	4.25	6.00

The exchange utilized the assistance of the plan's actuaries in determining the discount rate assumption used at December 31, 2005. The actuaries have developed an interest rate yield curve to enable companies to make judgments pursuant to Emerging Issues Task Force Topic No. D-36, "Selection of Discount Rates Used for Measuring Defined Benefit Pension Obligations and Obligations of Post Retirement Benefit Plans Other Than Pensions." The yield curve is comprised of bonds with a rating of Aaa and Aa and maturities between zero and thirty years. The actuaries discounted the expected annual benefit cash flows for the exchange's pension plan to develop a single-point discount rate by matching the plan's expected payout structure to such yield curve.

The basis for determining the expected rate of return on plan assets is determined by three components: historical returns, industry peers and forecasted returns. The plan's total return is expected to equal the composite performance of the security markets over the long term. The security markets are represented by the returns on various domestic and international stock and bond indexes. These returns are weighted according to the allocation of plan assets to each market and measured individually.

The component of the investment policy for the plan that has the most significant impact on returns is the asset mix. The asset mix has a minimum and maximum range depending on asset class. The plan assets are diversified to minimize the risk of large losses by any one or more individual assets. Such diversification is accomplished, in part, through the selection of asset mix and investment management. The asset allocation for the plan, by asset category, at December 31, 2005 and 2004 was as follows: equity securities, 57%; debt securities, 38%; and other investments, 5%. The target allocation for the plan will remain unchanged in 2006.

The funding goal for CME is to have its pension plan 100% funded at each year-end on a projected benefit obligation basis, while also satisfying any minimum required and maximum deductible contribution requirements. Year-end 2005 assumptions have been used to project the liabilities and assets from December 31, 2005 to December 31, 2006. The result of this projection is that estimated liabilities would exceed the fair value of plan assets at December 31, 2006 by approximately $7.0 million. Accordingly, it is estimated that a $7.0 million contribution in 2006 will allow CME to meet its funding goal for the pension plan.

At December 31, 2005, anticipated benefit payments from the plan in future years are as follows (in thousands):

Year	
2006	**$ 2,611**
2007	**3,023**
2008	**3,466**
2009	**4,094**
2010	**4,665**
2011 - 2015	**29,332**

Savings Plan. The exchange maintains a savings plan pursuant to Section 401(k) of the Internal Revenue Code, whereby all employees are participants and have the option to contribute to this plan. The exchange matches employee contributions up to 3% of the employee's base salary and makes an additional discretionary contribution of up to 2% of base salary. Total expense for the savings plan amounted to $4.5 million, $4.4 million and $3.8 million in 2005, 2004 and 2003, respectively.

Non-qualified Plans. The following non-qualified plans, under which participants may make assumed investment choices with respect to amounts contributed on their behalf, are maintained by the exchange. Although not required to do so, the exchange invests such contributions in assets that mirror the assumed investment choices. The balances in these plans are subject to the claims of general creditors of the exchange and totaled $14.2 million and $11.7 million at December 31, 2005 and 2004, respectively. The investment results of these plans have no impact on net income as the investment results are recorded in equal amounts to both revenue and expense accounts.

Supplemental Plan—The exchange maintains a supplemental plan to provide benefits for certain officers who have been impacted by statutory limits under the provisions of the qualified pension and savings plans. Total expense for the supplemental plan was $0.7 million, $0.6 million and $0.7 million in 2005, 2004 and 2003, respectively.

Deferred Compensation Plan—A deferred compensation plan is maintained by the exchange, under which eligible officers and members of the Board of Directors may contribute a percentage of their compensation and defer income taxes thereon until the time of distribution. Although the value of the plan is recorded as an asset in the consolidated balance sheets, there is an equal and offsetting liability.

Supplemental Executive Retirement Plan—The exchange maintains a defined contribution plan for senior officers. Under this plan, the exchange makes an annual contribution of a percentage of salary and bonus for eligible employees. Beginning in 2003, the contribution rate was 3%. Also, effective in 2003, contributions vest after five years of service from the officer's date of hire. Contributions made from 1996 to 2002 are subject to a vesting schedule, under which each annual contribution begins to vest after three years and is fully vested after five years. Unvested contributions are returned to the exchange if a participant leaves the employment of the exchange. Total expense (credit) for the plan, reduced by any forfeitures, was $0.2 million, ($0.1) million and ($0.1) million in 2005, 2004 and 2003, respectively.

15. CAPITAL STOCK

Shares Outstanding. As of December 31, 2005, 34,544,719 shares of Class A common stock, 625 shares of Class B-1 common stock, 813 shares of Class B-2 common stock, 1,287 shares of Class B-3 common stock and 413 shares of Class B-4 common stock were issued and outstanding. CME Holdings has no shares of preferred stock issued and outstanding.

Associated Trading Rights. Each class of CME Holdings Class B common stock is associated with a membership in a specific division of the exchange. CME's rules provide exchange members with trading rights and the ability to use or lease these trading rights. Trading rights are maintained at CME and are not part of or evidenced by the Class B common stock of CME Holdings. The Class B common stock of CME Holdings is intended only to ensure that the former Class B shareholders of CME retain rights with respect to representation on the Board of Directors and approval rights with respect to the core rights described below.

Transfer Restrictions. Each class of CME Holdings Class B common stock is subject to transfer restrictions contained in the Certificate of Incorporation of CME Holdings. These transfer restrictions prohibit the sale or transfer of any shares of Class B common stock separate from the sale of the associated trading rights.

Voting Rights. With the exception of the matters reserved to holders of CME Holdings Class B common stock, holders of common stock vote together on all matters for which a vote of common shareholders is required. In these votes, each holder of shares of Class A or Class B common stock of CME Holdings has one vote per share.

Election of Directors. The CME Holdings Board of Directors is composed of 20 members. Holders of Class A and Class B common stock have the right to vote together in the election of 14 directors. Holders of Class B-1, Class B-2 and Class B-3 common stock have the right to elect the remaining six directors, of which three are elected by Class B-1 shareholders, two are elected by Class B-2 shareholders and one is elected by Class B-3 shareholders.

Core Rights. Holders of Class B common shares have the right to approve changes in specified rights relating to the trading privileges associated with those shares. These core rights include allocation of products that a holder of trading rights is permitted to trade through the exchange; the trading floor access rights and privileges that a member has; the number of memberships in each membership class and the number of authorized and issued shares of Class B common stock associated with that class; and eligibility requirements to exercise trading rights associated with Class B shares. Votes on changes to these core rights are weighted by class. Each class of Class B common stock has the following number of votes on matters relating to core rights: Class B-1, six votes per share; Class B-2, two votes per share; Class B-3, one vote per share; and Class B-4, 1/6th of one vote per share. The approval of a majority of the votes cast by the holders of shares of Class B common stock is required in order to approve any changes to core rights. Holders of shares of Class A common stock do not have the right to vote on changes to core rights.

Dividends. Holders of Class A and Class B common stock of CME Holdings are entitled to receive proportionately such dividends, if any, as may be declared by the CME Holdings Board of Directors.

Ownership Requirements. Prior to October 1, 2004, each clearing firm was required to own 72,093 shares of Class A common stock in addition to Class B common stock of CME Holdings. Effective October 1, 2004, that Class A requirement was reduced to 30,000 shares for new clearing firms. Each of CME's existing clearing firms was given the right to reduce its holdings ratably over a 12-month period. At December 31, 2005, the total Class A common stock held pursuant to this requirement was 2.4 million shares. Effective February 1, 2006, the Class A common stock requirement was further reduced to 15,000 shares for new clearing firms. Existing clearing firms have the right to reduce their holdings to this level ratably over a five-month period.

Shareholder Rights Provisions. The Board of Directors of CME Holdings has adopted a plan creating rights that entitle CME Holdings' shareholders to purchase shares of CME Holdings stock in the event that a third party initiates a transaction designed to take over the company. This rights plan is intended to encourage persons seeking to acquire control of CME Holdings to engage in arms-length negotiations with the Board of Directors and management. The rights are attached to all outstanding shares of CME Holdings common stock, and each right entitles the shareholder to purchase one one-thousandth of a share of Series A junior participating preferred stock. On October 24, 2005, the purchase price for each right was amended to $1,000 per unit from $105 per unit to help assure that the plan continues to serve the purpose for which it was initially adopted. The rights should not interfere with any merger or other business combination approved by the Board of Directors since the rights may be amended to permit such acquisition or redeemed by the Company under the terms of the plan. In the event the rights become exercisable, each holder of a right shall receive, upon exercise, Class A common stock having a value equal to two times the exercise price of the right.

Omnibus Stock Plan. CME Holdings has adopted an Omnibus Stock Plan under which stock-based awards may be made to employees. A total of 4.0 million Class A shares have been reserved for awards under the plan. Awards totaling 3.0 million shares have been granted and are outstanding or have been exercised under this plan at December 31, 2005 (note 16).

2005 Director Stock Plan. In April 2005, the shareholders of CME Holdings approved the 2005 Director Stock Plan under which non-executive directors are compensated with an annual stipend consisting of cash and stock. A total of 25,000 Class A shares have been reserved under this plan, and 2,233 shares were awarded in 2005 (note 16).

Employee Stock Purchase Plan. The shareholders of CME Holdings approved an Employee Stock Purchase Plan (ESPP) in April 2005. A total of 40,000 Class A shares have been reserved for under this plan, of which 1,124 shares were purchased by employees in 2005 (note 16).

16. STOCK–BASED PAYMENTS

In 2000, the company established an Omnibus Stock Plan. The exchange has elected to account for stock-based payments under SFAS No. 123, "Accounting for Stock-Based Compensation." As allowed by SFAS No. 148, "Accounting for Stock-Based Compensation–Transition and Disclosure," at year-end 2002 the exchange adopted the fair value method for determining stock-based compensation expense and elected the retroactive restatement method.

Options granted in 2003 through 2005 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 equal to the market price at the grant date.

The weighted average grant date fair value of options granted in 2005, 2004 and 2003 was $99.78, $44.78 and $17.92, respectively. The compensation expense for these options is recognized on an accelerated basis over the vesting period. Compensation expense was $11.5 million, $6.9 million and $0.9 million in 2005, 2004 and 2003, respectively. As provided in SFAS No. 123, the fair value of each option grant was estimated on the date of grant using the Black-Scholes method of valuation. The following assumptions were used for these grants:

	Year of Grant		
	2005	2004	2003
Dividend yield	0.50 – 0.93%	0.46 – 1.10%	1.20 – 1.30%
Expected volatility	33.64 – 42.84%	29.40 – 36.40%	29.20 – 32.00%
Risk-free interest rate	3.90 – 4.44%	3.35 – 4.30%	2.52%
Expected life	6 – 6.5 years	6 years	6 years

The following table summarizes stock option activity for the three-year period ended December 31, 2005:

	Employee Options		Former CEO Option Number of Shares	
	Weighted Average Exercise Price	Number of Shares	Class A	Class B
Balance at December 31, 2002	$ 22.32	1,084,400	1,438,578	156
Granted	63.26	479,800	—	—
Exercised	22.01	(190,584)	(121,272)	(13)
Cancelled	42.71	(24,992)	(287,716)	(31)
Balance at December 31, 2003	36.56	1,348,624	1,029,590	112
Granted	125.20	338,400	—	—
Exercised	28.12	(217,380)	(823,139)	(44)
Cancelled	46.42	(122,852)	(206,451)	(68)
Balance at December 31, 2004	59.29	1,346,792	—	—
Granted	**251.36**	**221,600**	—	—
Exercised	**34.34**	**(417,471)**	—	—
Cancelled	**88.10**	**(73,830)**	—	—
Balance at December 31, 2005	**$ 106.50**	**1,077,091**	—	—

On February 7, 2000, an option was granted to the former President and Chief Executive Officer, James J. McNulty, to purchase 5% of the common stock of the company, as represented by an equivalent percentage of all Class A and Class B common stock issued at the date of demutualization. One-half of the option, or 2.5% of all common stock, had an aggregate exercise price of $21.8 million, which was estimated to be 2.5% of the fair value of the exchange at the grant date. Since demutualization had not been completed at the grant date, the fair value of CME was calculated based on the average value of all exchange memberships. The option for the remaining 2.5% of all common stock had an aggregate exercise price of $32.8 million, or 3.75% of the fair value of the exchange at the grant date. As a result of the reorganization into a holding company structure, the Class A share equivalents previously embedded in the Class B shares of CME were converted into Class A shares of CME Holdings. Since the stock option for the former CEO was for 5% of all classes of stock outstanding and additional Class A shares were issued in the reorganization, the total number of Class A shares in the former CEO's option increased by 145,543 shares.

The fair value of the option granted to the former CEO was $14.4 million, or $10.04 per share, measured at the demutualization date under the minimum value method. This method was used since, at the date of demutualization, there was not an independent established trading market for Class A shares. Significant assumptions used to calculate fair value included: risk-free interest rate of 5.11%; expected life equal to the maximum term of the option; and no expected dividends.

The term of the option was 10 years. Under the option agreement, the exercise of the option could be settled with any combination of shares of Class A common stock or cash, at the discretion of the company. Although the option was for all classes of common stock outstanding, the former CEO could not elect to exercise the option for only certain classes of stock included in the option.

The former CEO's option vested over a four-year period, with 40% vesting one year after the grant date and 20% scheduled to vest on that same date in each of the following three years. The former CEO stepped down on December 31, 2003, when his contract expired. Due to the vesting provisions of the option, the remaining 20% of the shares subject to the option that were unvested at that date were forfeited. As a result, the former CEO's option was reduced by 287,716 Class A and 31 Class B shares, representing a total exercise price of $10.9 million. Accordingly, the stock-based compensation expense related to the former CEO's option was credited $2.6 million for the expense that had been recognized in prior periods that related to the 20% of the option that was forfeited, resulting in a net credit to stock-based compensation expense for this option of $2.0 million in 2003.

When the former CEO exercised his option, CME elected to provide Class A shares for the value of the Class B portion of the option. As of December 2004, the former CEO had exercised all of his stock option. The option was satisfied through the issuance of 944,411 shares from the Omnibus Stock Plan to satisfy the Class A portion of the option and the issuance of 169,369 shares to satisfy the Class B portion of the option pursuant to a registration statement on Form S-8. In addition, the former CEO elected to satisfy the exercise price of his exercises in April and June 2004 through the surrender of a portion of the option, resulting in the cancellation of 206,451 Class A shares and 68 Class B shares.

Total stock options for Class A common stock that are outstanding and the portion of each option that can be exercised at December 31, 2005 were as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	**Number of Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Number of Shares**	**Weighted Average Exercise Price**
$ 22.00	**263,613**	**$ 22.00**	**5.4**	**263,613**	**$ 22.00**
$ 35.00	**9,750**	**35.00**	**6.9**	**6,350**	**35.00**
$63.01 to $ 74.68	**318,352**	**63.55**	**7.5**	**81,772**	**63.41**
$84.37 to $ 223.99	**275,076**	**128.07**	**8.5**	**36,516**	**127.60**
$251.95 to $ 369.35	**210,300**	**252.54**	**9.5**	**—**	**—**
Total	**1,077,091**	**$ 106.50**	**7.6**	**388,251**	**$ 40.87**

Restricted stock has also been granted to employees. These grants generally have the same vesting provisions as stock options and the related compensation expense is recognized on an accelerated basis over the vesting period. The shares of restricted stock granted and the related compensation expense were as follows:

	Year of Grant		
	2005	**2004**	**2003**
Shares granted	**5,900**	16,400	13,600
Total compensation expense (in millions)	**$ 1.5**	$ 1.9	$ 0.9
Weighted average grant date fair value	**$249.98**	$117.94	$ 63.70

In the second quarter of 2005, CME Holdings decreased the annual cash stipend of its non-executive members of the Board of Directors and added an equity component. The cash portion of the annual stipend is $17,500. Additionally, each non-executive director will receive an award of Class A common stock of 100 shares. Non-executive directors may also elect to receive some or all of the cash portion of their annual stipend in shares of stock based on the closing price at the date of distribution, up to a maximum of $17,500. As a result, CME Holdings issued 2,233 shares of Class A common stock to its non-executive directors under the 2005 Director Stock Plan. These shares are not subject to any vesting restrictions. Expense of $0.5 million related to this stock-based payment is amortized over the one-year service period.

In addition, in the fourth quarter of 2005, the first ESPP purchase took place. Eligible employees may purchase shares of CME Holdings Class A common stock using after-tax payroll deductions made during consecutive offering periods of approximately a six month duration. Shares are purchased at the end of an offering period at a price of 90% of the closing price of the Class A common stock as reported on the New York Stock Exchange. Compensation expense is recognized on the date of purchase for the discount from the closing price. In 2005, a total of 1,124 shares of Class A common stock were issued to participating employees at a 10% discount. These shares are subject to a six month holding period. Expense of $41,509 for the purchase discount was recognized by CME on the date of the employees' purchase.

17. CREDIT FACILITY

On October 14, 2005, CME renewed its $750.0 million secured committed line of credit with a consortium of banks. The secured credit agreement, which expires on October 13, 2006, is collateralized by clearing firm security deposits held by the exchange in the form of U.S. Treasury or agency securities, security deposit funds in IEF2 and performance bond deposits of the defaulting firm, if any. The amount held as available security deposit collateral at December 31, 2005 was $1.2 billion. The line of credit can only be drawn on to the extent that it is collateralized. The facility, which has never been used other than a one day draw in 2004 for $10.0 million to ensure that the facility would operate as intended, may be utilized in certain situations, such as a temporary disruption of the domestic payments system that would delay settlement between the exchange and its clearing firms, or in the event of a clearing firm default. Under the terms of the credit agreement, there are a number of covenants with which the exchange must comply. Among these covenants, the exchange is required to submit quarterly reports to the participating banks and maintain at all times a consolidated tangible net worth of not less than $90.0 million. Interest on amounts borrowed before maturity is calculated at the U.S. federal funds rate plus 0.45% per annum and after maturity at the U.S. federal funds rate plus 2.40% per annum. Commitment fees for the line of credit were $0.5 million for each of the years ended December 31, 2005, 2004 and 2003. Effective with the 2005 renewal of the line of credit, CME has the option to request an increase in the facility from $750.0 million to $1.0 billion at the time of a draw. However, the agreement does not require the participating banks to comply with the request for an increase.

18. CONTINGENCIES AND GUARANTEES

Legal Matters. On October 14, 2003, the U.S. Futures Exchange, L.L.C. and U.S. Exchange Holdings, Inc. (collectively, Eurex U.S.), filed suit against the CBOT and CME in the United States District Court for the District of Columbia. The suit alleges that the CBOT and CME violated the antitrust laws and tortiously interfered with the business relationship and contract between Eurex U.S. and The Clearing Corporation. Eurex U.S. is seeking a preliminary injunction and treble damages. On December 12, 2003, the CBOT and CME filed separate motions to dismiss or, in the event the motion to dismiss is denied, to move the venue to the United States District Court for Northern Illinois. On September 2, 2004, the judge granted the CBOT's and CME's motion to transfer venue to the Northern District of Illinois. In light of that decision, the judge did not rule on the motions to dismiss. On March 25, 2005, Eurex U.S. filed a second amended complaint in the United States District Court for the Northern District of Illinois. On June 6, 2005, CME and the CBOT filed a motion to dismiss the complaint. On August 25, 2005, the judge denied the joint CME/CBOT motion to dismiss. The parties are currently engaged in discovery. Based on its investigation to date and advice from outside legal counsel, CME believes this suit lacks factual or legal foundation and intends to vigorously defend itself against these charges.

In addition, the company is a defendant in, and has potential for, various other legal proceedings arising from its regular business activities. While the ultimate results of such proceedings against the company cannot be predicted with certainty, the company believes that the resolution of any of these matters will not have a material adverse effect on its consolidated financial position or results of operations.

Employment-Related Agreements. The exchange has employment agreements with Craig S. Donohue, Chief Executive Officer; Phupinder S. Gill, President and Chief Operating Officer; and John P. Davidson III, Managing Director and Chief Corporate Development Officer.

Mr. Donohue's agreement is through December 31, 2006, subject to renewal by mutual written agreement of the parties. Effective January 1, 2004, Mr. Donohue's annual base salary will not be less than $0.7 million. In the event of a termination without cause by CME, as defined in the agreement, Mr. Donohue is entitled to a one time lump sum severance payment equal to two times his base salary as of the date of termination for the remaining term of the agreement, if any, not to exceed 24 months of base salary.

Mr. Gill's agreement, as extended, is through December 31, 2010, subject to renewal by mutual written agreement of the parties. Effective January 1, 2004, Mr. Gill's annual base salary will not be less than $0.6 million. In the event of a termination without cause by CME, as defined in the agreement, Mr. Gill is entitled to a one time lump sum severance payment equal to two times his base salary as of the date of termination for the remaining term of the agreement, if any, not to exceed 24 months of base salary.

Mr. Davidson's agreement is through February 6, 2009, subject to renewal by mutual agreement of the parties. Effective February 6, 2006, Mr. Davidson's annual base salary will not be less than $0.6 million and his bonus for fiscal year 2006 will not be less than $0.4 million. CME has also agreed to pay Mr. Davidson a retention payment of $0.9 million payable in two installments on February 6, 2007 and February 6, 2008 provided Mr. Davidson has not voluntarily ended his employment with CME or been terminated for cause by CME, as defined in the agreement. In the event of a termination without cause by CME, as defined in the agreement, Mr. Davidson is entitled to a one time lump sum severance payment equal to two times his base salary as of the date of termination for the remaining term of the agreement, if any, not to exceed 24 months of base salary.

The employment agreements also provide that these executive officers are eligible to participate in CME's benefit plans and programs.

Mutual Offset Agreement. This mutual offset agreement allows a clearing firm of either exchange to execute after-hours trades at the other exchange. When a clearing firm of CME executes an after-hours trade at SGX, the resulting trade is transferred from SGX to CME, and CME assumes the financial obligation to SGX for the transferred trade. A similar obligation occurs when a clearing firm of SGX executes a trade at CME. The net position of each exchange to the other is marked-to-market daily based on the settlement prices of the applicable exchange, and settlement is made between the exchanges in cash. Since settlement prices at each exchange may differ at the end of any given day and Singapore is 13 to 14 hours ahead of Chicago, there may be a difference between the two settlement amounts and there will be a difference in the timing of the settlement. To allow for adequate and timely funding of the settlement and in the unlikely event of a payment default by a clearing firm, CME and SGX each maintain collateral payable to the other exchange. At December 31, 2005, CME was contingently liable to SGX on irrevocable letters of credit totaling $109.0 million. In October 2005, CME approved the use of up to $100.0 million of CME-owned U.S. Treasury securities as performance bond collateral in connection with this mutual offset agreement. Prior to this time, CME maintained collateral only in the form of irrevocable letters of credit. Under the terms of this mutual offset agreement, CME can maintain collateral in the form of U.S. Treasury securities or irrevocable letters of credit. Regardless of the collateral, CME guarantees all cleared transactions submitted through SGX and would initiate procedures designed to satisfy these financial obligations in the event of a default, such as the use of security deposits and performance bonds of the defaulting clearing firm.

Cross-Margin Agreements. CME and OCC have a cross-margin arrangement, whereby a common clearing firm may maintain a cross-margin account in which the clearing firm's positions in certain CME futures and options on futures contracts are combined with certain positions cleared by OCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME and OCC. If a participating firm defaults, the gain or loss on the liquidation of the firm's open position and the proceeds from the liquidation of the cross-margin account are split 50% each to CME and OCC.

A cross-margin agreement with LCH became effective in March 2000, whereby clearing firms' offsetting positions with CME and LCH are subject to reduced margin requirements. Similar cross-margin agreements with FICC and NYMEX became effective in April 2002 and June 2002, respectively, whereby clearing firms' offsetting positions with CME and FICC or CME and NYMEX are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and LCH, CME and FICC, or CME and NYMEX, as applicable, each clearing house may reduce the firm's performance bond requirement. In the event of a firm default, the total liquidation net gain or loss on the firm's offsetting open positions and the proceeds from the liquidation of the performance bond collateral held by each clearing house's supporting offsetting positions are split evenly between CME and LCH, CME and FICC, or CME and NYMEX, as applicable.

Additionally, for the LCH, the FICC, and the NYMEX cross-margin agreements, if, after liquidation of all the positions and collateral of the defaulting firm at each respective clearing organization, and taking into account any cross-margining loss sharing payments, any of the participating clearing organizations has a remaining liquidating surplus, and any other participating clearing organization has a remaining liquidating deficit, any additional surplus from the liquidation will be shared with the other clearing houses to the extent that they have a remaining liquidating deficit. Any remaining surplus funds will be passed to the bankruptcy trustee.

GFX Letter of Credit. CME guarantees a $5.0 million standby letter of credit for GFX. The beneficiary of the letter of credit is the clearing firm that is used by GFX to execute and maintain its futures positions. The letter of credit will be drawn on in the event that GFX defaults in meeting requirements to its clearing firm. Per exchange requirements, GFX is required to place performance bond deposits with its clearing firm. In the unlikely event of a payment default by GFX, GFX's performance bond would first be used to cover the deficit. If this amount is not sufficient, the letter of credit would be used and finally, CME would guarantee the remaining deficit, if any.

Intellectual Property Indemnifications. Some agreements with customers accessing CME Globex and utilizing market data services and CME 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, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others," no liability has been recorded.

19. GFX DERIVATIVES TRANSACTIONS

GFX Corporation engages primarily in the purchase and sale of CME foreign exchange futures contracts. GFX posts bids and offers in these products on the CME Globex electronic trading platform to maintain a market and promote additional liquidity in these products. GFX limits risk from these transactions through offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market. Formal trading limits have been established. Futures transactions are cleared by an independent clearing firm. Any residual open positions are marked-to-market on a daily basis and all net realized and unrealized gains and losses are included in other revenues in the accompanying consolidated statements of income. Net trading gains totaled $7.6 million in 2005, $7.7 million in 2004 and $6.8 million in 2003. At December 31, 2005, futures positions held by GFX had a notional value of $106.6 million, offset by a similar amount of spot foreign exchange positions, resulting in a zero net position.

20. 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 each year. 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 option granted to the former CEO was fully exercised as of June 2004. Prior to that date, the dilutive effect of this option was calculated as if the entire option, including the Class A share and Class B share portions of the option, was satisfied through the issuance of Class A shares. The diluted weighted average number of common shares outstanding at December 31, 2005 excludes the incremental effect related to 748 outstanding stock options that would be anti-dilutive.

	YEAR ENDED DECEMBER 31		
(in thousands, except per share data)	**2005**	**2004**	**2003**
Net Income	**$ 306,857**	$ 219,555	$ 122,132
Weighted Average Common Shares Outstanding:			
Basic	**34,315**	33,545	32,691
Effect of stock options	**509**	840	1,211
Effect of restricted stock grants	**15**	26	33
Diluted	**34,839**	34,411	33,935
Earnings per Share:			
Basic	**$ 8.94**	$ 6.55	$ 3.74
Diluted	**8.81**	6.38	3.60

21. QUARTERLY INFORMATION (UNAUDITED)

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year Ended December 31, 2005:					
Net revenues	**$ 214,190**	**$ 239,121**	**$ 234,311**	**$ 232,896**	**$ 920,518**
Income before income taxes	**118,142**	**136,204**	**128,291**	**125,742**	**508,379**
Net income	**70,885**	**82,226**	**77,466**	**76,280**	**306,857**
Earnings per share:					
Basic	**$ 2.07**	**$ 2.40**	**$ 2.25**	**$ 2.21**	**$ 8.94**
Diluted	**2.04**	**2.36**	**2.22**	**2.18**	**8.81**
Year Ended December 31, 2004:					
Net revenues	$ 166,372	$ 187,001	$ 192,389	$ 188,027	$ 733,789
Income before income taxes	77,412	96,274	99,879	94,091	367,656
Net income	46,060	57,283	59,428	56,784	219,555
Earnings per share:					
Basic	$ 1.40	$ 1.72	$ 1.75	$ 1.67	$ 6.55
Diluted	1.35	1.66	1.72	1.64	6.38

Share Information

Class A Common Stock

Our Class A common stock is listed on the New York Stock Exchange and The Nasdaq National Market under the ticker symbol "CME." As of February 10, 2006, there were 498 holders of record of our Class A Common Stock.

The following table sets forth the high and low sales prices per share of our Class A common stock on a quarterly basis, as reported on the New York Stock Exchange.

2005	High	Low
First Quarter	**$229.50**	**$183.50**
Second Quarter	**307.75**	**163.80**
Third Quarter	**340.00**	**264.13**
Fourth Quarter	**396.90**	**287.05**

2004	High	Low
First Quarter	$ 99.74	$ 72.50
Second Quarter	144.85	96.51
Third Quarter	162.55	116.61
Fourth Quarter	229.67	161.00

Class B Common Stock

Our Class B common stock is not listed on a national securities exchange or traded in an organized over-the-counter market. Each class of our Class B common stock is associated with a membership in a specific division of the exchange. CME's rules provide exchange members with trading rights and the ability to use or lease these trading rights. Each share of our Class B common stock can be transferred only in connection with the transfer of the associated trading rights. The memberships by class are CME (Chicago Mercantile Exchange), IMM (International Monetary Market), IOM (Index and Option Market) and GEM (Growth and Emerging Markets).

Class B shares and the associated trading rights are bought and sold through our Shareholder Relations and Membership Services Department. In addition, trading rights may be leased through the department. Trading rights sales are reported on our Web site at www.cme.com. Although our Class B shareholders have special voting rights, because our Class B shares have the same equitable interest in our earnings and the same dividend payments as our Class A shares, we expect that the market price of our Class B common stock, if reported separately from the associated trading rights, would be determined by the value of our Class A common stock. As of February 10, 2006, there were 1,967 holders of record of our Class B common stock.

Dividends

The following table sets forth the dividends we paid on our Class A and Class B common stock in the last two years:

Record Date	Dividend per Share
March 10, 2005	**$ 0.46**
June 10, 2005	**0.46**
September 9, 2005	**0.46**
December 9, 2005	**0.46**

Record Date	Dividend per Share
March 10, 2004	$ 0.26
June 10, 2004	0.26
September 10, 2004	0.26
December 10, 2004	0.26

We intend to pay regular quarterly dividends to our shareholders. The decision to pay a dividend, however, remains within the discretion of our board of directors and may be affected by various factors, including our earnings, financial condition, capital requirements, level of indebtedness and other considerations our board of directors deems relevant. Our existing credit facility as well as future credit facilities, other future debt obligations and statutory provisions may limit our ability to pay dividends. On February 1, 2006, the board of directors declared a regular quarterly dividend of $0.63 per share, representing a 37 percent increase over the prior quarter, to be paid on March 27, 2006, to shareholders of record on March 10, 2006.

Exhibit 21.1

Subsidiaries of Chicago Mercantile Exchange Holdings Inc.

Name of Subsidiary	**Jurisdiction of Incorporation or Organization**
CME Alternative Marketplace Inc.	Delaware
Chicago Mercantile Exchange Inc.	Delaware
GFX Corporation	Illinois

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-105236) pertaining to the Amended and Restated Omnibus Stock Plan of Chicago Mercantile Exchange Holdings Inc.,
(2) Registration Statement (Form S-8 No. 333-104804; Form S-8 No. 333-115656) pertaining to the Agreement between Chicago Mercantile Exchange Holdings Inc. and James J. McNulty, and
(3) Registration Statement (Form (S-8 No. 333-124497) pertaining to the Employee Stock Purchase Plan and the 2005 Director Stock Plan;

of our reports dated February 10, 2006, with respect to the consolidated financial statements of Chicago Mercantile Exchange Holdings Inc., Chicago Mercantile Exchange Holdings Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Chicago Mercantile Exchange Holdings Inc., incorporated by reference in this Annual Report (Form 10-K) for the year ended December 31, 2005, and our report included in the following paragraph with respect to the financial statement schedules of Chicago Mercantile Exchange Holdings Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

Our audits also included the financial statement schedules of Chicago Mercantile Exchange Holding Inc. listed in Item 15(a). These schedules are the responsibility of Chicago Mercantile Exchange Holding Inc.'s management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is February 10, 2006, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Chicago, Illinois
March 6, 2006

Exhibit 31.1

CERTIFICATIONS

I, Craig S. Donohue, Chief Executive Officer of the Company, certify that:

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

2. Based on my knowledge, this 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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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 officer 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.

Date: March 6, 2006

/s/ Craig S. Donohue
Name: Craig S. Donohue
Title: *Chief Executive Officer*

Exhibit 31.2

I, James E. Parisi, Chief Financial Officer of the Company, certify that:

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

2. Based on my knowledge, this 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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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 officer 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.

Date: March 6 , 2006

/s/ James E. Parisi
Name: James E. Parisi
Title: *Chief Financial Officer*

Exhibit 32.1

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Chicago Mercantile Exchange Holdings Inc. (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Craig S. Donohue, as Chief Executive Officer of the Company, and James E. Parisi, 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/ Craig S. Donohue
Name: Craig S. Donohue
Title: Chief Executive Officer

Date: March 6, 2006

/s/ James E. Parisi
Name: James E. Parisi
Title: Chief Financial Officer

Date: March 6, 2006

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 its staff upon request.