

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

FORM 8-K

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

**Date of report (Date of earliest event reported)
January 31, 2005**

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-31553
(Commission File No.)

36-4459170
(IRS Employer
Identification No.)

**20 South Wacker Drive
Chicago, Illinois 60606**
(Address of Principal Executive Offices) (Zip Code)

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

N/A
(Former Name or Former Address, if Changed Since Last Report)

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

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

Item 1.01. Entry into a Material Definitive Agreement.**2004 Named Executive Officer Bonuses**

As of January 31, 2005, the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Chicago Mercantile Exchange Holdings Inc. (the "Company") approved the following bonus awards to the executive officers for performance during 2004:

Craig S. Donohue	\$1,058,381
Phupinder S. Gill	907,446
Kimberly S. Taylor	473,792
James R. Krause	447,981
Mazen A. Chadid	408,608

Annual bonuses are designed to reward short-term or annual achievements and reflect both Company and individual performance. Bonus awards to our officers, including the executive officers set forth above, are granted under the Company's Annual Incentive Plan that was approved by our shareholders in April 2003. Pursuant to the Plan, the Committee determines the criteria and objectives that must be met during the applicable performance period in order to earn an award under the Plan. In 2004, the Company used cash earnings as the metric to measure performance against pre-established goals for that year. For 2005, the Company has also approved cash earnings as the metric for measuring performance. The Plan is funded in the following manner based on our achievement of the cash earnings target established by our Board:

	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
Actual Cash Earnings	80% of cash earnings target	100% of cash earnings target	120% of cash earnings target
Funding of Plan	50% of target bonus pool	100% of target bonus pool	150% of target bonus pool

The funding of the target bonus pool is interpolated for performance falling between the designated target levels. For 2004, the Company exceeded its cash earnings target maximum and as a result the bonus pool was funded accordingly. If the Company does not achieve 80% of targeted cash earnings, the bonus pool is not funded (other than for non-exempt employees, who may receive a bonus under our discretionary bonus program).

Director Compensation**Chairman**

In recognition of the duties and responsibilities undertaken by our non-executive Chairman and the full time commitment to the Company required of the role at the expense of other professional opportunities, effective as of January 31, 2005, the Committee recommended and the Board approved an increase in the annual stipend of the Chairman, Terrence A. Duffy, from \$750,000 to \$950,000. Mr. Duffy does not receive any meeting fees for attendance at Board or committee meetings in addition to his stipend. In addition, to assure continued service, the Committee also recommended and the Board approved a retention payment to the Chairman in an amount equal to his annual compensation. The payment shall become payable if at the end of his current term as Chairman in April 2006 or at the end of any subsequent term, Mr. Duffy is not nominated for reelection to the Board and/or is not reelected to the position of Chairman by the members of the Board notwithstanding Mr. Duffy's ability and willingness to continue his service. Under such circumstances, Mr. Duffy is required to assist with

the transition of responsibilities to the new Chairman. In no event shall Mr. Duffy be entitled to receive the retention payment if he is removed as Chairman or not reelected because of his breach of fiduciary duty to the shareholders or because of his willful failure to fulfill his duties and obligations as Chairman as determined by a majority of our independent, non-industry directors.

Chairman Emeritus and Senior Policy Advisor

On January 31, 2005, in order to secure the continued service of Mr. Melamed, the Board's Chairman Emeritus and Senior Policy Advisor, and to secure the benefit of his unique knowledge of the financial services industry in the future, the Committee recommended and the Board approved a consulting agreement with Mr. Melamed. Under the terms of the consulting agreement, upon his retirement from the Board, Mr. Melamed will provide the Company with consulting services relating to the futures business and industry and related matters within Mr. Melamed's areas of expertise. The agreement has an initial term of five years with automatic one year renewals unless and until terminated by either party upon no less than 90 days notice prior to the end of the current term. For his services, Mr. Melamed will receive during the term of the agreement \$300,000 per annum plus reimbursement for all reasonable and necessary out-of-pocket travel and other expenses incurred as a result of the agreement. The Company will also provide office and secretarial support during the term of the agreement. In addition, without the prior written consent of the Company, Mr. Melamed may not render services to any competitor or otherwise compete with the Company during the term of the agreement and for one year thereafter. The Board believes that it is in the interests of the Company and its shareholders to continue its close association with Mr. Melamed if he chooses to retire from the Board, although he has no current intention to do so. A copy of the consulting agreement is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
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99.1	Consulting Agreement between Chicago Mercantile Exchange Holdings Inc. and Leo Melamed dated, January 31, 2005.
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SIGNATURES

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

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

Registrant

Date: February 3, 2005

By: /s/ Kathleen M. Cronin

Name: Kathleen M. Cronin

Title: Managing Director, General Counsel and Corporate Secretary



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

312/930.1000 tel/
312/446.4410 fax

January 31, 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") following your retirement from the Board of Directors of CME.

1. Term. The initial term of this Agreement shall commence effective upon the date of your retirement from the Board of Directors of the CME and shall end on the fifth anniversary thereof (the "Initial Term"); provided, however, that the term of this Agreement shall be automatically extended for additional terms of one year each unless and until CME or you provides a written notice of termination to the other party ninety (90) or more days prior to the end of the then current term. All references in this Agreement to its "term" shall be deemed to include this Agreement's Initial Term and any renewal terms. 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 futures business and 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 Chief Executive

Officer of CME. 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 and confidentiality provisions of this Agreement, CME shall pay to you \$300,000 per annum during this Agreement's term, payable in four equal installments of \$75,000 and a pro-rata amount for periods less than a full three month period. The first such installment shall be paid as soon as practicable following effectiveness of this Agreement, with respect to the first three month period, and all subsequent installments shall be due and payable on or about the first day of each subsequent three month period during the term of this Agreement.

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. 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. During the term of this Agreement, CME shall provide you with an office and secretarial assistance.

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. 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. Confidential Information. In connection with your service to the CME Entities and their predecessors, and pursuant to this Agreement, you have acquired or may acquire confidential information with respect to the business, plans, strategies, finances, technology, markets, operations, customers, members, employees, suppliers and vendors and other matters of or related to the CME Entities (collectively, the "Confidential Information"). Unless disclosure is required by law, you shall not, without the prior written consent of CME, at any time, whether during or after the term of this Agreement, communicate or divulge any Confidential Information to anyone other than a CME Entity or those other persons or entities designated by CME. All records, files, documents, notes, data and the like relating to the business or activities of any CME Entity which you shall prepare, develop, use, compile or receive shall be and remain the sole property of CME, or such other CME Entity as the case may be, and shall be returned upon CME's request. "Confidential Information" shall exclude information (a) readily available in the public domain other than as a result of your act or omission or (b) obtained from third parties rightfully in possession of such information and having no direct or indirect confidentiality obligation to any CME Entity.

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 on of the enclosed copies of this letter.

Very truly yours,

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

/s/ Terrence A. Duffy

Chairman Of The Board January 31, 2005

Address for Notice Purposes:

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

Agreed and Accepted as of
February 2, 2005

/s/ Leo Melamed

Leo Melamed

Address for Notice Purposes:

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