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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2003

—OR—

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

For the transition period from to

Commission file number 001-31553

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☒ No o

The number of shares outstanding of each of the registrant's classes of common stock as of April 22, 2003 was as follows: 5,463,730 shares of Class A common stock, $0.01 par value; 6,998,494 shares of Class A common stock, Class A-1, $0.01 par value; 6,961,187 shares of Class A common stock, Class A-2, $0.01 par value; 6,768,969 shares of Class A common stock, Class A-3, $0.01 par value; 6,406,392 shares of Class A common stock, Class A-4, $0.01 par value; 625 shares of Class B common stock, Class B-1, $0.01 par value; 813 shares of Class B common stock, Class B-2, $0.01 par value; 1,287 shares of Class B common stock, Class B-3, $0.01 par value; and 413 shares of Class B common stock, Class B-4, $0.01 par value.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

	March 31, 2003	December 31, 2002
Assets		
Current Assets:		
Cash and cash equivalents	$ 356,954	$ 339,260
Proceeds from securities lending activities	—	985,500
Accounts receivable, net of allowance of $1,173 and $1,232	63,708	50,865
Other current assets	11,232	11,515
Cash performance bonds and security deposits	1,814,162	1,827,991
Total current assets	2,246,056	3,215,131
Property, net of accumulated depreciation and amortization	107,438	109,563
Other assets	33,191	30,322
Total Assets	$ 2,386,685	$ 3,355,016
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 27,222	$ 27,607
Payable under securities lending agreements	—	985,500
Other current liabilities	57,076	48,396
Cash performance bonds and security deposits	1,814,162	1,827,991
Total current liabilities	1,898,460	2,889,494
Long-term debt	1,469	2,328
Other liabilities	18,405	17,055
Total liabilities	1,918,334	2,908,877
Shareholders' Equity:		
Preferred stock, $0.01 par value, 9,860,000 shares authorized, none issued and outstanding	—	—
Series A junior participating preferred stock, $0.01 par value, 140,000 shares authorized, none issued and outstanding	—	—
Class A common stock, $0.01 par value, 138,000,000 shares authorized, 32,531,572 and 32,530,372	325	325

shares issued and outstanding at March 31, 2003 and December 31, 2002, respectively		
Class B common stock, $0.01 par value, 3,138 shares authorized, issued and outstanding at March 31, 2003 and December 31, 2002	—	—
Additional paid-in capital	180,223	179,669
Unearned restricted stock compensation	(565)	(665)
Retained earnings	288,368	266,810
Total shareholders' equity	468,351	446,139
Total Liabilities and Shareholders' Equity	$ 2,386,685	$ 3,355,016

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share and per share data)

(unaudited)

	Three Months Ended March 31,	
	2003	**2002**
Revenues		
Clearing and transaction fees	$ 102,399	$ 77,885
Quotation data fees	11,799	12,465
GLOBEX access fees	3,722	3,130
Communication fees	2,416	2,405
Investment income	1,146	1,617
Securities lending interest income	2,857	3,514
Other	4,261	3,053
Total Revenues	128,600	104,069
Securities lending interest expense	(2,584)	(2,977)
Net Revenues	126,016	101,092
Expenses		
Compensation and benefits	33,244	30,773
Occupancy	6,281	5,781
Professional fees, outside services and licenses	7,378	7,261
Communications and computer and software maintenance	12,117	10,308
Depreciation and amortization	13,211	10,814
Marketing, advertising and public relations	5,602	1,563
Other	4,429	3,429
Total Expenses	82,262	69,929
Income before income taxes	43,754	31,163
Income tax provision	(17,633)	(12,504)
Net Income	$ 26,121	$ 18,659
Earnings per Common Share:		
Basic	$ 0.80	$ 0.65
Diluted	0.77	0.63
Weighted average number of common shares:		
Basic	32,534,483	28,774,700
Diluted	33,863,591	29,756,212

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except share and per share data)

(unaudited)

	Class A Common Stock	Class B Common Stock	Common Stock and Additional Paid-in Capital				
	Shares	Shares	Amount	Unearned Restricted Stock Compensation	Retained Earnings	Accumulated Net Unrealized Securities Gains (Losses)	Total Shareholders' Equity
Balance December 31, 2002	32,530,372	3,138	$ 179,994	$ (665)	$ 266,810	$ —	$ 446,139
Net income					26,121		26,121
Exercise of stock options	1,200		26				26
Cash dividend on common stock of $0.14 per share					(4,563)		(4,563)
Stock-based compensation			528				528
Amortization of unearned restricted Class A common stock				100			100
Balance March 31, 2003	32,531,572	3,138	$ 180,548	$ (565)	$ 288,368	$ —	$ 468,351
Balance December 31, 2001	28,771,562	3,138	$ 59,517	$ (1,461)	$ 190,033	$ 277	$ 248,366
Comprehensive income:							
Net income					18,659		18,659
Change in net unrealized loss on securities, net of tax benefit of $255						(383)	(383)
Total comprehensive income							18,276
Stock-based compensation			1,187				1,187
Amortization of unearned restricted Class A common stock				359			359
Balance March 31, 2002	28,771,562	3,138	$ 60,704	$ (1,102)	$ 208,692	$ (106)	$ 268,188

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2003	2002
Cash Flows From Operating Activities:		
Net income	26,121	$ 18,659
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,211	10,814
Stock based compensation	628	1,546
Deferred income tax benefit	(3,225)	(2,165)
Loss on investment in joint venture	1,392	520
Gain on sale of marketable securities	—	(48)
Gain on disposal of fixed assets	(19)	—
Decrease in allowance for doubtful accounts	(59)	(225)
Increase in accounts receivable	(12,784)	(2,184)
Decrease in other current assets	284	112
Decrease (increase) in other assets	2,130	(1,133)
Decrease in accounts payable	(385)	(5,697)
Increase (decrease) in other current liabilities	9,286	(1,933)
Increase in other liabilities	1,350	718
Net Cash Provided by Operating Activities	37,930	18,984

Cash Flows From Investing Activities:		
Purchases of property, net	(10,821)	(11,987)
Capital contributions to joint venture	(3,413)	(3,071)
Purchases of marketable securities	—	(29,807)
Proceeds from sales and maturities of marketable securities	—	24,019
Net Cash Used in Investing Activities	(14,234)	(20,846)
Cash Flows From Financing Activities:		
Payments on long-term debt	(1,465)	(1,337)
Cash dividends	(4,563)	—
Proceeds from exercised stock options	26	—
Net Cash Used in Financing Activities	(6,002)	(1,337)
Net increase (decrease) in cash and cash equivalents	17,694	(3,199)
Cash and cash equivalents, beginning of period	339,260	69,101
Cash and cash equivalents, end of period	$ 356,954	$ 65,902
Supplemental Disclosure Of Cash Flow Information:		
Interest paid	$ 121	$ 124
Income taxes paid	1,238	2,440
Capital leases-asset additions and related obligations	—	558

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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

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

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

2. PERFORMANCE BONDS AND SECURITY DEPOSITS

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

3. GUARANTEES

Interest Earning Facility. Clearing firms, at their option, may instruct Chicago Mercantile Exchange Inc. (CME) to invest cash on deposit for performance bond purposes in a portfolio of securities that is part of the Interest Earning Facility (IEF) program. The first IEF was organized in 1997 as two limited liability companies. Interest earned, net of expenses, is passed on to participating clearing firms. The principal of the first IEFs totaled $463.4 million at March 31, 2003 and is guaranteed by the exchange as long as clearing firms maintain investment balances in this portfolio. The investment portfolio of these facilities is managed by two of the exchange's approved settlement banks, and eligible investments include U.S. Treasury bills and notes, U.S. Treasury strips and reverse repurchase agreements. The maximum average portfolio maturity is 90 days, and the maximum maturity for an individual security is 13 months. If funds invested in these IEFs are required to be liquidated due to a clearing firm redemption transaction and funds are not immediately available due to lack of liquidity in the investment portfolio, default of a repurchase counterparty, or loss in market value, CME guarantees the amount of the requirement. FASB Interpretation No. (FIN) 45, "Guarantor's Accounting and Disclosure Requirements of Guarantees of Indebtedness of Others," requires that an entity (CME) issuing a guarantee recognize, at the inception of the guarantee, a liability equal to the fair value of the guarantee. CME has evaluated its requirements under FIN No. 45 and concluded that no significant liability is required to be recorded.

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

4. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities—An Interpretation of Accounting Research Bulletin (ARB) No. 51." FIN No. 46 requires the primary beneficiary to consolidate a variable interest entity (VIE) if it has a variable interest that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. FIN No. 46 applies immediately to VIE's created after January 31, 2003. CME is currently assessing the potential impact of FIN No. 46. As part of that assessment, CME has determined that the first IEFs (as described above) have been determined to be a VIE subject to consolidation. This entity has approximately $463.4 million in assets at March 31, 2003. The effect of consolidation that would be required beginning with the reporting period ending September 30, 2003, would be to increase assets and liabilities on the balance sheet by $463.4 million. Such consolidation would have no significant impact on net revenues and would have no effect on net income.

5. LEGAL MATTERS

In November 2002, a former employee filed a charge of discrimination with the Illinois Department of Human Rights and Equal Employment Opportunity Commission (EEOC) claiming that CME terminated his employment because of his race. On March 13, 2003, the EEOC dismissed the discrimination charge with a "no cause" finding. The former employee has filed an amended complaint in the Circuit Court of Cook County, Illinois alleging common law claims of retaliatory discharge and racial discrimination. He is seeking damages in excess of $3 million. Based on its investigation to date and advice from legal counsel, management believes these claims are without merit and will defend them vigorously.

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

Results of Operations for the Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002

Overview

Our operations for the three months ended March 31, 2003 resulted in net income of $26.1 million compared to net income of $18.7 million for the three months ended March 31, 2002. The increase in net income resulted primarily from a 24.7% increase in net revenue that was only partially offset by a 17.6% increase in operating expenses. The increase in net revenues was driven by a 21.5% increase in total trading volume during the first quarter of 2003 when compared to the first quarter of 2002. The percentage increase in net revenues exceeded the increase in trading volume primarily as a result of the increase in trades executed through GLOBEX. Contributing to the overall increase in expenses was $5.1 million for our brand advertising campaign in the first quarter of 2003 as well as increases in compensation and benefits and depreciation expense.

Trading volume for the three months ended March 31, 2003 totaled 146.4 million contracts, representing an average daily trading volume of 2.4 million contracts. This was a 21.5% increase over the 120.5 million contracts traded during the same time period in 2002, representing an average daily trading volume of 2.0 million contracts. Daily volume for the month of March 2003 averaged 2.8 million contracts per day, the highest in CME history. In addition, on March 17, 2003, 1.7 million contracts were traded on GLOBEX, the highest GLOBEX volume day on record.

Revenues

Total revenues increased $24.5 million, or 23.6%, from $104.1 million for the three months ended March 31, 2002 to $128.6 million for the three months ended March 31, 2003. Net revenues increased $24.9 million, or 24.7%, from the first quarter of 2002 to the same time period in 2003. The increase in revenues was attributable primarily to a 19.5% increase in average daily trading volume in the three months ended March 31, 2003 when compared to the three months ended March 31, 2002. In the first quarter of 2003, electronic trading volume represented 44.3% of total trading volume, or nearly 1.1 million contracts per day, a 109.3% increase over the same period in 2002. Increased trading volume levels resulted from continued volatility in currencies and U.S. stocks; geopolitical and economic uncertainty; increased customer demand for the liquidity provided by our markets; and product offerings that allowed customers to manage their risks. The additional clearing and transaction fees resulting from the increase in trading volume were augmented by increased revenue generated through GLOBEX access fees, our fees for managing the IEF program and trading revenue from GFX, our wholly owned subsidiary that utilizes GLOBEX to trade in foreign exchange and Eurodollar futures contracts. Partially offsetting these increases in revenue were modest declines in investment income resulting primarily from a decrease in rates earned on our marketable securities, short-term investments and the short-term investment of clearing firms' cash performance bonds and security deposits; securities lending interest income, net of interest expense; and quotation data fees.

Clearing and Transaction Fees. Clearing and transaction fees, which include clearing fees, GLOBEX electronic trading fees and other volume-related charges increased $24.5 million, or 31.5%, from $77.9 million for the three months ended March 31, 2002 to $102.4 million for the three months ended March 31, 2003. A significant portion of the increase was attributable to the 19.5% increase in average daily trading volume. In addition to the increase in trading volume, there was a substantial increase in the percentage of trading volume executed through GLOBEX, our electronic trading platform, for which additional fees are assessed. In the first quarter of 2003, GLOBEX volume represented 44.3% of total trading volume compared to 25.3% during the same time period in 2002. Also, the product mix shifted to more equity product volume and less interest rate volume. For the three months ended March 31, 2003, equity products represented 46.6% of trading volume, compared to 29.2% during the same time period of 2002. By contrast, for the three months ended March 31, 2003, interest rates represented 46.7% of our volume, compared to 64.5% during the same time period in 2002. Fees for interest rate products are lower than fees for equity products. Therefore, this shift in product mix, combined with the additional fees assessed for trading through GLOBEX, resulted in additional revenue for the first quarter of 2003.

Primarily as a result of the increase in percentage of trades executed through GLOBEX and the product mix shift, the average rate, or revenue, per contract increased from $0.646 for the three months ended March 31, 2002 to $0.699 for the same period in 2003. In addition, the tiered pricing for Eurodollar products was changed effective March 1, 2003. The thresholds for obtaining the tiered pricing discounts were increased and the amount of the discount was decreased. As a result, the average rate per contract during the first quarter of 2003 was approximately $0.006 greater than if the tiered pricing had remained unchanged. To stimulate volume in the back months of the Eurodollar futures contract, an incentive program was implemented effective March 1, 2003. This program reduced our average rate per contract approximately $0.002 for the three months ended March 31, 2003. Partially offsetting the increases in the average rate per contract was a decrease in the percentage of trades executed by non-member customers from approximately 23% for the first quarter of 2002 to approximately 21% for the first quarter of 2003. We believe our lower fee structure for members has resulted in the acquisition of trading rights by parties intending to trade significant volumes on our exchange, creating an increase in member volume. Finally, in July 2002, we began trading a new contract, Long-Short Technology TRAKRS[SM], that was followed by two additional TRAKRS contracts in the fourth quarter of 2002. Similar to limits on certain GLOBEX fees, transaction fees for this contract are limited based on the size of the order. The average rate per contract on these trades in the first quarter of 2003 was $0.012. As a result, TRAKRS volume had an adverse impact on our overall rate per contract during the three months ended March 31, 2003. If volume and fees for TRAKRS were excluded from the first quarter 2003, our average rate per contract would have increased by approximately $0.005 to $0.704.

The following table shows the average daily trading volume in our four product areas, the portion that was traded electronically through the GLOBEX platform, and clearing and transaction fee revenues expressed in total dollars and as an average rate per contract:

Product Area	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002	Percentage Increase/ (Decrease)
Interest Rate	1,121,236	1,295,186	(13.4)%
Equity	1,118,142	585,633	90.9
Foreign Exchange	126,535	96,032	31.8
Commodity	34,706	31,808	9.1
Total Volume	2,400,619	2,008,659	19.5
GLOBEX Volume	1,062,880	507,891	109.3
GLOBEX Volume as a Percent of Total Volume	44.3%	25.3%	
Clearing and Transaction Fee Revenues (in thousands)	$ 102,399	$ 77,885	
Average Rate per Contract	$ 0.699	$ 0.646	

We experienced a decline in our interest rate volume in the first quarter of 2003 when compared to the first quarter of 2002. In 2002, there was uncertainty related to interest rate levels that was not evident in the first quarter of 2003, which contributed to lower volume levels in the three months ended March 31, 2003. Partially offsetting this was the geopolitical uncertainty in the first quarter of

2003, which tends to increase usage of our products and services. Our equity product volume was influenced by the volatility in U.S. equity markets that was experienced in the first quarter of 2002 and continued through the first quarter of 2003, primarily as a result of economic conditions and the same geopolitical uncertainty that impacted interest rate volume. This volatility, combined with increased distribution to customers through GLOBEX and marketing efforts to increase awareness of our product offerings, drove the growth in volume in our equity product volume. Approximately 88% of our stock index product volume is traded through the GLOBEX platform. The growth in foreign exchange volume is primarily due to improvements in our GLOBEX trading system and our central counterparty clearing which makes these products increasingly important to large banks and investment banks. Price levels and volatility patterns contributed to the increase in volume in our commodity products during the first quarter of 2003 when compared to the first quarter of 2002.

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

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 the clearing firms of the exchange. The majority of clearing and transaction fees received from clearing firms represent charges for trades executed on behalf of the customers of the various clearing firms. We currently have approximately 70 clearing firms. In the three months ended March 31, 2003, one firm, with a significant portion of customer revenue, represented approximately 10% of our net revenues. Should a clearing firm withdraw from the exchange, we believe the customer portion of that firm's trading activity would likely transfer to another clearing firm of the exchange. Therefore, we do not believe we are exposed to significant risk from the loss of revenue received from any particular clearing firm.

Quotation Data Fees. Quotation data fees decreased $0.7 million, or 5.3%, from $12.5 million for the three months ended March 31, 2002 to $11.8 million for the three months ended March 31, 2003. At the end of the first quarter of 2003, there were approximately 55,000 subscribers to our market data and the data was accessible from approximately 178,000 screens and included approximately 22,000 subscribers to our lower-priced non-professional service. This represented a decrease of approximately 8,000 screens displaying our data on March 31, 2002 when the total was approximately 186,000 screens. While the number of subscribers has increased from approximately 51,000 subscribers at March 31, 2002, the increase occurred in our lower-priced non-professional E-mini market data service. There was a decrease of approximately 2,000 subscribers with first locations for our professional market data service, due in part to contraction in the financial services industry. The change in the number of subscribers, screens and locations from the first quarter of 2002 to the first quarter of 2003 is consistent with the trend experienced over the course of 2002.

For the three months ended March 31, 2003, the two largest resellers of our market data represented nearly 50% of our quotation data fees revenue. Should one of these vendors no longer subscribe to our market data, we believe the majority of that firm's customers would likely subscribe to our market data through another reseller. Therefore, we do not believe we are exposed to significant risk from the loss of revenue received from any particular market data reseller.

Prices for our professional market data offering increased effective April 1, 2003. Previously, these customers were charged $60 per month for the first screen at each location and $12 per month for each additional screen at the same location. The new pricing is $50 per month for the first screen and $20 per month for each additional screen at the same location.

GLOBEX Access Fees. GLOBEX access fees increased $0.6 million, or 18.9%, from $3.1 million for the three months ended March 31, 2002 to $3.7 million for the three months ended March 31, 2003. This increase resulted primarily from the additional monthly access fees generated by an increased number of GLOBEX users during the first quarter of 2003, particularly those accessing GLOBEX through our T1 connection.

Communication Fees. Communication fees were unchanged at $2.4 million for the three months ended March 31, 2002 and 2003. The number of individuals and firms utilizing our communications services and the associated rates has been relatively constant from the first quarter of 2002 to the first quarter of 2003.

Investment Income. Investment income decreased $0.5 million, or 29.1%, from $1.6 million for the three months ended March 31, 2002 to $1.1 million for the three months ended March 31, 2003. The decline resulted primarily from a reduction in rates earned on our marketable securities, short-term investments of available funds and the investment of clearing firms' cash performance bonds and security deposits. In the third quarter of 2002, we changed our investment policy and converted our marketable securities to short-term investments. Therefore, all investments were short-term in nature during the first quarter of 2003. The average rate earned on all investments declined from approximately 2.1% in the first quarter of 2002 to approximately 1.2% during the same time period in 2003, representing a decrease in investment income of approximately $1.3 million. Another component of the decrease in investment income was the $0.3 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. Partially offsetting these decreases in investment income was an increase of approximately $1.2 million in interest income as a result of increased balances in short-term investments of available funds and cash performance bonds and security deposits as well as the investment of the net proceeds of our initial public offering that was completed in December 2002.

Securities Lending Interest Income and Expense. Securities lending interest income decreased $0.6 million, or 18.7%, from $3.5 million for the three months ended March 31, 2002 to $2.9 million for the three months ended March 31, 2003. The average balance of proceeds from securities lending activity was $671.9 million for the three months ended March 31, 2002 and $842.3 million for the three months ended March 31, 2003. Securities lending interest expense decreased $0.4 million, or 13.2%, from $3.0 million for the three months ended March 31, 2002 to $2.6 million for the three months ended March 31, 2003. This expense is an integral part of our securities lending program and is required to engage in securities lending transactions. Therefore, this expense is presented in the consolidated statements of income as a reduction of total revenues. The net revenue from securities lending represented a return of 0.32% on the average daily balance in the first quarter of 2002 compared to 0.13% in the first quarter of 2003. The decline in net revenues from securities lending resulted from a decrease in interest rates earned from the first quarter of 2002 to the first quarter of 2003 while the associated interest expense has remained relatively constant.

Other Revenue. Other revenue increased $1.2 million, or 39.6%, from $3.1 million for the three months ended March 31, 2002 to $4.3 million for the three months ended March 31, 2003. This increase is attributed primarily to a $1.0 million increase in the trading revenue generated by GFX and a $0.5 million increase in fees associated with managing our IEF program. In addition, in the first quarter of 2003, we generated $0.7 million of revenue for providing certain communication and regulatory services to OneChicago beginning in the third quarter of 2002. There was no similar revenue in the first quarter of 2002. Partially offsetting these increases was a $0.9 million increase in our share of the OneChicago net loss.

Expenses

Total operating expenses increased $12.3 million, or 17.6%, from $69.9 million for the three months ended March 31, 2002 to $82.2 million for the three months ended March 31, 2003. This increase was primarily attributable to increases in compensation and benefits as well as the marketing expenses associated with our brand advertising campaign.

Compensation and Benefits Expense. Compensation and benefits expense increased $2.5 million, or 8.0%, from $30.7 million for the three months ended March 31, 2002 to $33.2 million for the three months ended March 31, 2003. There were two significant components to this increase. The average number of employees increased approximately 9%, or by 92 employees, from the first quarter of 2002 to the first quarter of 2003. This increased headcount resulted in additional compensation and benefits of approximately $2.3 million. We had 1,165 employees at March 31, 2003. In addition, compensation and benefits increased approximately $1.4 million as a result of annual salary increases and related increases in employer taxes, pension and benefits. Partially offsetting these increases was a $0.9 million decrease in stock-based compensation which is included in compensation and benefits expense. We have elected an accelerated method for recognizing this expense. Therefore, a greater percentage of the total expense for all stock awards is recognized in the first years of the vesting period. The decline in expense from the first quarter of 2002 to the same period in 2003 is a direct result of the time that has lapsed since the options were granted and the expense previously recognized in the years immediately following the date of grant.

Occupancy Expense. Occupancy expense increased $0.5 million, or 8.7%, from $5.8 million for the three months ended March 31, 2002 to $6.3 million for the three months ended March 31, 2003. Higher insurance costs for our premises and utilities primarily resulted in these increases.

Professional Fees, Outside Services and Licenses Expense. Professional fees, outside services and licenses increased $0.1 million, or 1.6%, from $7.3 million for the three months ended March 31, 2002 to $7.4 million for the three months ended March 31, 2003. License fees relating to our equity products increased $0.6 million from the first quarter of 2002 to the first quarter of 2003 as a result of increased trading volume in these products. In addition, we experienced an increase in legal fees incurred in relation to a secondary offering of our stock that is anticipated in the second quarter of 2003. Partially offsetting these increases was a $0.8 million decrease in legal fees that were incurred in the first quarter of 2002 relating to the Wagner patent litigation. There was no similar expense in the first quarter of 2003.

Communications and Computer and Software Maintenance Expense. Communications and computer and software maintenance expense increased $1.8 million, or 17.6%, from $10.3 million for the three months ended March 31, 2002 to $12.1 million for the three months ended March 31, 2003. This expense is affected primarily by growth in electronic trading. In the first quarter of 2003, we experienced greater communications expense that included a $0.9 million increase for connections to our GLOBEX platform that was partially offset by a $0.5 million refund from our telecommunications provider as a result of a billing error that related to a prior period. Our computer and software maintenance costs are driven by the number of transactions processed, not the volume of contracts traded. We processed nearly 80% of total transactions electronically in the first quarter of 2003 compared to approximately 70% in the first quarter of 2002, which represented approximately 45% and 25%, respectively, of total contracts traded. As a result, our hardware and software maintenance expenses increased nearly $0.8 million from the first quarter of 2002 to the first quarter of 2003. In addition, we incurred $0.3 million in communications expense associated with our remote data facility that became operational in October 2002 and $0.2 million of expense for news and quote services to provide the necessary data to support our E-quotes offering launched in July 2002.

Depreciation and Amortization Expense. Depreciation and amortization expense increased $2.4 million, or 22.2%, from $10.8 million for the three months ended March 31, 2002 to $13.2 million for the three months ended March 31, 2003. Capital expenditures totaled $56.9 million in 2002, with technology-related purchases representing approximately 90% of total purchases. Equipment and software represent the greatest portion of these technology-related purchases and are depreciated over a three or four year period. Therefore, these recent purchases, which include the development of software for internal use, have resulted in the increased depreciation and amortization expense from the first quarter of 2002 to the first quarter of 2003.

Marketing, Advertising and Public Relations Expense. Marketing, advertising and public relations expense increased $4.0 million, from $1.6 million for the three months ended March 31, 2002 to $5.6 million for the three months ended March 31, 2003. In 2003 we incurred $5.1 million of expense associated with our brand advertising campaign. There was no similar expense in the first quarter of 2002. We anticipate that this initiative to increase our brand awareness will result in a total expense of approximately $6 million for the year 2003. Partially offsetting the increased brand advertising expense during the first quarter of 2003 was a reduction in product advertising when compared to the same period in 2002.

Other Expense. Other expense increased $1.0 million, or 29.2%, from $3.4 million for the three months ended March 31, 2002 to $4.4 million for the three months ended March 31, 2003. The primary factor in this increase was a $0.6 million increase in our insurance expense, which includes directors and officers and general liability coverage. In addition, fees to our Board of Directors increased in the first three months of 2003 as a result of changes in the fee structure that were effective in the fourth quarter of 2002. We also experienced increases in general administrative costs, such as supplies and travel, from the first quarter of 2002 to the first quarter of 2003.

Income Tax Provision

We recorded a tax provision of $17.6 million for the three months ended March 31, 2003 compared to $12.5 million for the same period in 2002. The effective tax rate was 40.3% for the first quarter of 2003, compared to 40.0% for the first quarter of 2002.

Liquidity and Capital Resources

Cash and cash equivalents totaled $357.0 million at March 31, 2003 compared to $339.3 million at December 31, 2002. The $17.7 million increase for this period resulted primarily from our operations for the first quarter of 2003. Cash generated by operations was partially offset by $10.8 million for purchases of property, net of trade-in allowances, and by the $4.6 million payment of our first regular quarterly dividend in March 2003. The balance retained in cash and cash equivalents is a function of anticipated or possible short-term cash needs, prevailing interest rates, our investment policy and alternative investment choices.

Other current assets readily convertible into cash include accounts receivable. When combined with cash and cash equivalents, these assets represented 73.5% of our total assets, excluding cash performance bonds and security deposits and any investment of securities lending proceeds, at March 31, 2003 and were relatively unchanged from 72.0% at December 31, 2002. Cash performance bonds and security deposits, as well as any investment of securities lending proceeds, are excluded from total assets and total liabilities for purposes of this comparison as these balances may vary significantly over time and there are equal and offsetting current liabilities that relate to these current assets.

Included in other assets is $20.6 million and $17.3 million of deferred tax assets at March 31, 2003 and December 31, 2002, respectively. These deferred tax assets result primarily from depreciation, stock-based compensation and deferred compensation. There is no valuation reserve for these assets as we expect to fully realize their value in the future based on our expectation of future taxable income.

Historically, we have met our funding requirements from operations. Net cash provided by operating activities was $37.9 million for the first quarter of 2003 compared to $19.0 million for the same time period in 2002. The cash provided by operations increased in 2003 as a result of our improved operating results as well as an increase in current liabilities that was partially offset by an increase in accounts receivable. The increase in accounts receivable primarily resulted from the increase in trading volume in March 2003 that generated additional clearing and transaction fees. The net cash provided by operating activities exceeded our net income in 2003 primarily as a result of non-cash expenses, such as depreciation, which do not adversely impact our cash flow.

Cash used in investing activities was $14.2 million for the three months ended March 31, 2003 compared to $20.8 million for the three months ended March 31, 2002. The decrease resulted from the change in our investment policy that was effective in the third quarter of 2002. Net purchases of investments totaled $5.8 million in the first quarter of 2002. There were no similar purchases in the first quarter of 2003.

Cash used in financing activities was $6.0 million for the first quarter of 2003 compared to $1.3 million for the same time period in 2002. The increase is due to the first regular quarterly dividend of $4.6 million that was paid in March 2003.

As of March 31, 2003, we were contingently liable on irrevocable letters of credit totaling $50.0 million in connection with our mutual offset system with the Singapore Derivatives Exchange Ltd. and for a $2.5 million letter of credit in favor of the clearing firm through which GFX conducts its activities. We also guarantee the principal for funds invested in the first IEF facility, which had a balance of $463.4 million as of March 31, 2003.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents interest rate risk relating to the marketable securities that are available for sale, as well as derivatives trading risk associated with GFX. With respect to interest rate risk, a change in market interest rates would impact interest income from short-term cash investments and cash performance bonds and security deposits. Changes in market interest rates also would have an effect on the fair value of any marketable securities owned. However, as a result of our new investment policy that became effective in the third quarter of 2002, we invest only in cash equivalents composed primarily of institutional money market mutual funds and obligations of the U.S. Government and its agencies with maturities of seven days or less. Prior to the recent change in our investment policy, we monitored interest rate risk by completing regular reviews of our marketable securities portfolio and its sensitivity to changes in the general level of interest rates, commonly referred to as a portfolio's duration. We controlled the duration of the portfolio primarily through the purchase of individual marketable securities having a duration consistent with our overall investment policy. In addition, under our prior investment policy, we would generally hold marketable securities to maturity, which acted as a further mitigating factor with respect to interest rate risk.

GFX engages in the purchase and sale of our foreign exchange and Eurodollar futures contracts on the GLOBEX electronic trading platform to promote liquidity in our products and subsequently enters into offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market to limit market risk. Any potential impact on earnings from a change in foreign exchange rates would not be significant. Net position limits are established for each trader and currently amount to $12.0 million in aggregate notional value.

Interest Rate Risk

Interest income from marketable securities, short-term cash investments, cash performance bonds and security deposits was $1.4 million in the first quarter of 2003 compared to $1.5 million in the first quarter of 2002. At March 31, 2003, we owned no marketable securities as a result of the change in our investment policy that became effective in the third quarter of 2002.

Derivatives Trading Risk

At March 31, 2003, GFX held futures positions with a notional value of $64.1 million, offset by a similar amount of spot foreign exchange positions. The notional value of futures positions at March 31, 2002 was $40.0 million. All positions are marked to market through a charge or credit to other revenue on a daily basis. Net trading gains were $1.4 million for the first quarter of 2003 and $0.4 million for the first quarter of 2002.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*. Our CEO and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to us that is required to be included in our periodic filings under the Exchange Act.

(b) *Changes in Internal Controls*. Since the Evaluation Date, there have not been any significant changes in our internal controls or in other factors that could significantly affect such controls.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

10.1. Agreement, dated as of January 1, 2003, between Chicago Mercantile Exchange Inc. and Phupinder Gill
99.1. 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

(b) Reports on Form 8-K:

On January 3, 2003, CME Holdings filed a Current Report on Form 8-K reporting under Item 9 that it had issued a press release announcing that its subsidiary, Chicago Mercantile Exchange Inc. reached an agreement to resolve an indemnification dispute with Euronext-Paris S.A.

SIGNATURES

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

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.
(Registrant)

By /s/ DAVID G. GOMACH

David G. Gomach
Chief Financial Officer

May 9, 2003

CERTIFICATIONS

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

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

/s/ JAMES J. MCNULTY

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

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

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

/s/ DAVID G. GOMACH

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

QuickLinks

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Exhibit 10.1

AGREEMENT

THIS AGREEMENT, made and entered into this 1st day of January 2003, by and between CHICAGO MERCANTILE EXCHANGE Inc. ("Employer" or "CME"), a Delaware Business Corporation, having its principal place of business at 30 South Wacker Drive, Chicago, Illinois, and Phupinder Gill ("Employee").

R E C I T A L S:

WHEREAS, Employer wishes to retain the services of Employee in the capacity of Managing Director, President, Clearing House, upon the terms and conditions hereinafter set forth and Employee wishes to accept such employment;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties mutually agree as follows:

1) ***Employment.*** Subject to the terms of the Agreement, Employer hereby agrees to employ Employee during the Agreement Term as Managing Director, President, Clearing House, and Employee hereby accepts such employment. Employee shall report to the Employer's Chief Executive Officer. The duties of Employee shall include, but not be limited to, the performance of all duties associated with executive oversight and management of the Employer's Clearing House. Employee shall be responsible for: the execution of policies related to the Clearing House subject to his supervision; the selection and hiring of personnel for the Clearing House; and the training and establishing of duties and responsibilities for personnel in the Clearing House. Employee shall devote his full time, ability and attention to the business of Employer during the Agreement Term, subject to the direction of the Chief Executive Officer.

   Notwithstanding anything to the contrary contained herein, nothing in the Agreement shall preclude Employee from participating in the affairs of any governmental, educational or other charitable institution, engaging in professional speaking and writing activities, and serving as a member of the board of directors of a publicly held corporation (except for a competitor of Employer), provided Employee notifies the Employer's Board of Directors ("Board") prior to his participating in any such activities and as long as the Board does not determine that any such activities interfere with or diminish Employee's obligations under the Agreement. Employee shall be entitled to retain all fees, royalties and other compensation derived from such activities, in addition to the compensation and other benefits payable to him under the Agreement, but shall disclose such fees to Employer.

2) ***Agreement Term.*** Employee shall be employed hereunder for a term commencing on January 1, 2003, and expiring on December 31, 2005, unless sooner terminated as herein provided ("Agreement Term"). The Agreement Term may be extended or renewed only by the mutual written agreement of the parties.

3) ***Compensation.***

   (a) *Base Salary*. During the Agreement Term, the Employer shall pay to Employee a base salary at a rate of not less than $475,000 per annum ("Base Salary"), payable in accordance with the Employer's normal payment schedule.

   (b) *Bonuses*. Any bonus during the Agreement Term shall be provided at the sole discretion of the Employer.

4) ***Benefits.*** Employee shall be entitled to insurance, vacation and other employee benefits commensurate with his position in accordance with Employer's policies for executives in effect

from time to time. Employee acknowledges receipt of a summary of Employer's employee benefits policies in effect as of the date of this Agreement.

5) ***Expense Reimbursement***. During the Agreement Term, Employer shall reimburse Employee, in accordance with Employer's policies and procedures, for all proper expenses incurred by him in the performance of his duties hereunder.

6) ***Termination.***

   a) *Death*. Upon the death of Employee, this Agreement shall automatically terminate and all rights of Employee and his heirs, executors and administrators to compensation and other benefits under this Agreement shall cease, except for compensation which shall have accrued to the date of death, including accrued Base Salary, and other employee benefits to which Employee is entitled upon his death, in accordance with the terms of the plans and programs of CME.

   b) *Disability*. Employer may, at its option, terminate this Agreement upon written notice to Employee if Employee, because of physical or mental incapacity or disability, fails to perform the essential functions of his position required of him hereunder for a continuous period of 90 days or any 120 days within any 12-month period. Upon such termination, all obligations of Employer hereunder shall cease, except for payment of accrued Base Salary, and other employee benefits to which Employee is entitled upon his termination hereunder, in accordance with the terms of the plans and programs of CME. In the event of any dispute regarding the existence of Employee's disability hereunder, the matter shall be resolved as follows: (1) by the determination of a physician selected by the Chief Executive Officer of the Employer; (2) Employee shall have the right to challenge that determination by presenting a contrary determination from a physician of his choice; (3) in such event, a physician selected by agreement of the Employee and the Chief Executive Officer of the Employer will make the final determination. The Employee shall submit to appropriate medical examinations for purposes of making the medical determinations hereunder.

   c)

Cause. Employer may, at its option, terminate Employee's employment under this Agreement for Cause. As used in this Agreement, the term "Cause" shall mean any one or more of the following:

(1) any refusal by Employee to perform his duties and responsibilities under this Agreement, as determined after investigation by the Board. Employee, after having been given written notice by Employer, shall have seven (7) days to cure such refusal;

(2) any intentional act of fraud, embezzlement, theft or misappropriation of Employer's funds by Employee, as determined after investigation by the Board, or Employee's admission or conviction of a felony or of any crime involving moral turpitude, fraud, embezzlement, theft or misrepresentation;

(3) any gross negligence or willful misconduct of Employee resulting in a financial loss or liability to the Employer or damage to the reputation of Employer, as determined after investigation by the Board;

(4) any breach by Employee of any one or more of the covenants contained in Section 7, 8 or 9 hereof;

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

The exercise of the right of CME to terminate this Agreement pursuant to this Section 6(c) shall not abrogate any other rights or remedies of CME in respect of the breach giving rise to such termination.

If Employer terminates Employee's employment for Cause, Employee shall be entitled to accrued Base Salary through the date of the termination of his employment, other employee benefits to which Employee is entitled upon his termination of employment with Employer, in accordance with the terms of the plans and programs of CME. Upon termination for cause, Employee will forfeit any unvested or unearned compensation or long-term incentives, unless otherwise provided herein or specified in the terms of the plans and programs of CME.

d) *Termination Without Cause*. Upon 30 days prior written notice to Employee, Employer may terminate this Agreement for any reason other than a reason set forth in sections (a), (b) or (c) of this Section 6. If, during the Agreement Term, Employer terminates the employment of Employee hereunder for any reason other than a reason set forth in subsections (a), (b) or (c) of this Section 6:

(1) Employee shall be entitled to receive accrued Base Salary through the date of the termination of his employment, and other employee benefits to which Employee is entitled upon his termination of employment with Employer, in accordance with the terms of the plans and programs of Employer; and

(2) a one time lump sum severance payment equal to 24 months of his Base Salary, as defined herein, as of the date of the Employee's termination.

e) *Voluntary Termination*. Upon 60 days prior written notice to CME (or such shorter period as may be permitted by CME), Employee may voluntarily terminate his employment with CME prior to the end of the Agreement Term for any reason. If Employee voluntarily terminates his employment pursuant to this subsection (e), he shall be entitled to receive accrued Base Salary through the date of the termination of his employment and other employee benefits to which Employee is entitled upon his termination of employment with CME, in accordance with the terms of the plans and programs of CME.

7) ***Confidential Information***. Employee acknowledges that the successful development of CME's services and products, including CME's trading programs and systems, current and potential customer and business relationships, and business strategies and plans requires substantial time and expense. Such efforts generate for CME valuable and proprietary information ("Confidential Information") which gives CME a business advantage over others who do not have such information. Confidential information includes, but is not limited to the following: trade secrets, technical, business, proprietary or financial information of CME not generally known to the public, business plans, proposals, past and current prospect and customer lists, trading methodologies, systems and programs, training materials, research data bases and computer software; but shall not include information or ideas acquired by Employee prior to his employment with CME if such pre-existing information is generally known in the industry and is not proprietary to CME.

(a) Employee shall not at anytime during the Agreement Term *or thereafter*, make use of or disclose, directly or indirectly to any competitor or potential competitor of CME, or divulge, disclose or communicate to any person, firm, corporation, or other legal entity in any manner whatsoever, or for his own benefit and that of any person or entity other than Employer, any Confidential Information. This subsection shall not apply to the extent Employee is required to disclose Confidential Information to any regulatory agency or as otherwise required by law; provided, however, that Employee will promptly notify Employer if Employee is requested by any entity or person to divulge Confidential Information, and will use his best efforts to ensure that Employer has sufficient time to intervene and/or object to such disclosure or

otherwise act to protect its interests. Employee shall not disclose any Confidential Information while any such objection is pending.

(b) Employee agrees that while employed and for a period of one year following the termination of his employment with CME for any reason, the Employee will not accept employment in the clearing house of any exchange which competes directly or indirectly with CME. Employee acknowledges that such restriction is necessary to protect the Confidential Information he learned through his employment with Employer.

(c) Upon termination for any reason, Employee shall return to Employer all records, memoranda, notes, plans, reports, computer tapes and equipment, software and other documents or data which constitute Confidential Information which he may then possess or have under his control (together with all copies thereof) and all credit cards, keys and other materials and equipment which are Employer's property that he has in his possession or control.

(d) If, at any time of enforcement of this Section 7, a court holds that the restrictions stated herein are unreasonable, the parties hereto agree that a maximum period, scope or geographical area reasonable under the circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

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

(a) *General*. Employee acknowledges that Employer invests in recruiting and training, and shares Confidential Information with, its employees. As a result, Employee acknowledges that Employer's employees are of special, unique and extraordinary value to Employer.

(b) *Non-solicitation*. Employee further agrees that for a period of one year following the termination of his employment with CME for any reason he shall not in any manner, directly or indirectly, induce or attempt to induce any employee of CME to terminate or abandon his or her employment with CME for any purpose whatsoever.

(c) *Reformation*. If, at any time of enforcement of this Section 8, a court holds that the restrictions stated herein are unreasonable, the parties hereto agree that the maximum period, scope or geographical area reasonable under the circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

9) ***Intellectual Property***. During the Agreement Term, Employee shall disclose to CME and treat as confidential information all ideas, methodologies, product and technology applications that he develops during the course of his employment with CME that relates directly or indirectly to CME's e-commerce business or any other CME business. Employee hereby assigns to CME his entire right, title and interest in and to all discoveries and improvements, patentable or otherwise, trade secrets and ideas, writings and copyrightable material, which may be conceived by Employee or developed or acquired by him during his employment with CME, which may pertain directly or indirectly to the business of the CME. Employee shall at any time during or after the Agreement Term, upon CME's request, execute, acknowledge and deliver to CME all instruments and do all other acts which are necessary or desirable to enable CME to file and prosecute applications for, and to acquire, maintain and enforce, all patents, trademarks and copyrights in all countries with respect to intellectual property developed or which was being developed during Employee's employment with CME.

10) ***Remedies***. Employee agrees that given the nature of CME's business, the scope and duration of the restrictions in paragraphs 7, 8 and 9 are reasonable and necessary to protect the legitimate business interests of CME and do not unduly interfere with Employee's career or economic

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pursuits. Employee recognizes and agrees that a breach of any or all of the provisions of Sections 7, 8 and 9 will constitute immediate and irreparable harm to CME's business advantage, for which damages cannot be readily calculated and for which damages are an inadequate remedy. Accordingly, Employee acknowledges that CME shall therefore be entitled to seek an injunction or injunctions to prevent any breach or threatened breach of any such section. Such injunctive relief shall not be Employer's sole remedy. Employee agrees to reimburse CME for all costs and expenses, including reasonable attorney's fees and costs, incurred by CME in connection with the successful enforcement of its rights under Sections 7, 8 and 9 of this Agreement.

11) ***Survival***. Sections 7, 8, 9 and 10 of this Agreement shall survive and continue in full force and effect in accordance with their respective terms, notwithstanding any termination of the Agreement.

12) ***Arbitration***. Except with respect to Sections 7, 8, and 9, any dispute or controversy between CME and Employee, whether arising out of or relating to this Agreement, the breach of this Agreement, or otherwise, shall be settled by arbitration in Chicago, Illinois, in accordance with the following:

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

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

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

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

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

(f) Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of CME and Employee.

13) ***Notices***. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed given when (i) delivered personally or by overnight courier to the following address of the other party hereto (or such other address for such party as shall be specified by notice given pursuant to this Section) or (ii) sent by facsimile to the following facsimile number of the other party hereto (or such other facsimile number for such party as shall

be specified by notice given pursuant to this Section), with the confirmatory copy delivered by overnight courier to the address of such party pursuant to this Section 13:

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

If to Employee, to:
Phupinder Gill
1833 Portsmouth
Westchester, IL 60154

14) ***Severability*** Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

15) ***Entire Agreement***. This Agreement constitutes the entire Agreement and understanding between the parties with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related in any manner to the subject matter hereof. No other agreement or amendment to this Agreement shall be binding upon either party including, without limitation, any agreement or amendment made hereafter unless in writing, signed by both parties. Employee acknowledges that each of the parties has participated in the preparation of this Agreement and for purposes of principles of law governing the construction of the terms of this Agreement, no party shall be deemed to be the drafter of the same.

16) ***Successors and Assigns***. This Agreement shall be enforceable by Employee and his heirs, executors, administrators and legal representatives, and by CME and its successors and assigns.

17) ***Governing Law***. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Illinois without regard to principles of conflict of laws.

18) ***Acknowledgment***. Employee acknowledges that he has read, understood, and accepts the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Chicago Mercantile Exchange Inc.	**Phupinder Gill**
By: /s/ JAMES J. MCNULTY	/s/ PHUPINDER GILL
Date:	Date:

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Exhibit 99.1

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 Quarterly Report on Form 10-Q of Chicago Mercantile Exchange Holdings Inc. (the "Company") for the quarterly period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), James J. McNulty, as Chief Executive Officer of the Company, and David G. Gomach, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES J. MCNULTY

Name:	James J. McNulty
Title:	Chief Executive Officer
Date:	May 9, 2003

/s/ DAVID G. GOMACH

Name:	David G. Gomach
Title:	Chief Financial Officer
Date:	May 9, 2003

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

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

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