

CME GROUP INC.  
Form 10-Q  
May 08, 2013  
Table of Contents

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, 2013

- OR -

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

CME GROUP 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 No.)

20 South Wacker Drive, Chicago, Illinois

(Address of principal executive offices)

(312) 930-1000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The number of shares outstanding of each of the registrant's classes of common stock as of April 17, 2013 was as follows: 333,886,383 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.

Table of Contents

CME GROUP INC.  
FORM 10-Q  
INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
Item 1. <u>Financial Statements</u>	<u>5</u>
<u>Consolidated Balance Sheets at March 31, 2013 and December 31, 2012</u>	<u>5</u>
<u>Consolidated Statements of Income for the Quarters Ended March 31, 2013 and 2012</u>	<u>6</u>
<u>Consolidated Statements of Comprehensive Income for the Quarters Ended March 31, 2013 and 2012</u>	<u>7</u>
<u>Consolidated Statements of Equity for the Quarters Ended March 31, 2013 and 2012</u>	<u>8</u>
<u>Consolidated Statements of Cash Flows for the Quarters Ended March 31, 2013 and 2012</u>	<u>10</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>11</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>25</u>
Item 4. <u>Controls and Procedures</u>	<u>25</u>
<u>PART II. OTHER INFORMATION</u>	<u>26</u>
Item 1. <u>Legal Proceedings</u>	<u>26</u>
Item 1A. <u>Risk Factors</u>	<u>26</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>26</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>26</u>
Item 6. <u>Exhibits</u>	<u>27</u>
<u>SIGNATURES</u>	<u>28</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Certain Terms

All references to “options” or “options contracts” in the text of this document refer to options on futures contracts. Unless otherwise indicated, references to CME Group Inc. (CME Group) products include references to exchange-traded products on one of its regulated exchanges: Chicago Mercantile Exchange Inc. (CME), Board of Trade of the City of Chicago, Inc. (CBOT), New York Mercantile Exchange, Inc. (NYMEX), Commodity Exchange, Inc. (COMEX) and The Board of Trade of Kansas City, Missouri, Inc. (KCBT). Products listed on these exchanges are subject to the rules and regulations of the particular exchange and the applicable rulebook should be consulted. Unless otherwise indicated, references to NYMEX include its subsidiary, COMEX.

Further information about CME Group and its products can be found at <http://www.cmegroup.com>. Information made available on our Web site does not constitute a part of this Quarterly Report on Form 10-Q.

Information about Contract Volume and Average Rate per Contract

All amounts regarding contract volume and average rate per contract exclude our credit default swaps, interest rate swaps and CME Clearing Europe contracts.

Trademark Information

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

FORWARD-LOOKING STATEMENTS

From time to time, in this Quarterly Report on Form 10-Q as well as in other written reports and verbal statements, we discuss our expectations regarding future performance. These forward-looking statements are identified by their use of terms and phrases such as “believe,” “anticipate,” “could,” “estimate,” “intend,” “may,” “plan,” “expect” and similar expressions including references to assumptions. These 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 entities, including increased competition from new entrants into our markets and consolidation of existing entities;
- our ability to keep pace with rapid technological developments, including our ability to complete the development, implementation and maintenance of the enhanced functionality required by our customers while ensuring that such technology is not vulnerable to security risks;
- 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, including our ability to provide effective services to the over-the-counter market;
- our ability to adjust our fixed costs and expenses if our revenues decline;
- our ability to maintain existing customers, develop strategic relationships and attract new customers;
- our ability to expand and offer our products outside the United States;
- changes in domestic and non-U.S. regulations, including the impact of any changes in domestic and foreign laws or government policy with respect to our industry, including any changes to regulations and policies that require

increased financial and operational resources from us or our customers;  
• the costs associated with protecting our intellectual property rights and our ability to operate our business without violating the intellectual property rights of others;

3

---

Table of Contents

our ability to generate revenue from our market data that may be reduced or eliminated by the growth of electronic trading, the state of the overall economy or declines in subscriptions;

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 clearing members;

the ability of our compliance and risk management methods to effectively monitor and manage our risks, including our ability to prevent errors and misconduct and protect our infrastructure against security breaches and misappropriation of our intellectual property assets;

changes in price levels and volatility in the derivatives markets and in underlying equity, foreign exchange, interest rate and commodities markets;

economic, political and market conditions, including the volatility of the capital and credit markets and the impact of economic conditions on the trading activity of our current and potential customers stemming from the continued uncertainty in the financial markets;

our ability to accommodate increases in contract volume and order transaction traffic without failure or degradation of the performance of our trading and clearing 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;

our ability to continue to generate funds and/or manage our indebtedness to allow us to continue to invest in our business;

industry and customer consolidation;

decreases in trading and clearing activity;

the imposition of a transaction tax or user fee on futures and options on futures transactions and/or repeal of the 60/40 tax treatment of such transactions;

the unfavorable resolution of material legal proceedings; and

the seasonality of the futures business.

For a detailed discussion of these and other factors that might affect our performance, see Item 1A. of our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 28, 2013 and Item 1A. of this Quarterly Report on Form 10-Q.

Table of Contents

## ITEM 1. FINANCIAL STATEMENTS

## CME GROUP INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(dollars in millions, except par value data; shares in thousands)

(unaudited)

	March 31, 2013	December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	\$1,843.4	\$1,604.7
Marketable securities	60.7	56.6
Accounts receivable, net of allowance of \$1.3 and \$0.8	309.2	267.5
Other current assets (includes \$40.0 in restricted cash)	172.5	204.3
Cash performance bonds and guaranty fund contributions	9,912.0	6,584.8
Total current assets	12,297.8	8,717.9
Property, net of accumulated depreciation and amortization of \$651.3 and \$640.4	709.9	724.0
Intangible assets—trading products	17,175.3	17,175.3
Intangible assets—other, net	2,827.8	2,853.7
Goodwill	7,569.0	7,566.9
Other assets (includes \$69.7 and \$73.0 in restricted cash)	1,842.0	1,825.4
Total Assets	\$42,421.8	\$38,863.2
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$31.3	\$41.7
Short-term debt	1,499.0	749.7
Other current liabilities	344.4	240.7
Cash performance bonds and guaranty fund contributions	9,912.0	6,584.8
Total current liabilities	11,786.7	7,616.9
Long-term debt	1,358.0	2,106.8
Deferred income tax liabilities, net	7,412.1	7,413.3
Other liabilities	227.0	220.5
Total Liabilities	20,783.8	17,357.5
Redeemable non-controlling interest	82.2	80.8
CME Group Shareholders' Equity:		
Preferred stock, \$0.01 par value, 10,000 shares authorized as of March 31, 2013 and December 31, 2012; none issued or outstanding	—	—
Class A common stock, \$0.01 par value, 1,000,000 shares authorized; 332,163 and 331,832 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	3.3	3.3
Class B common stock, \$0.01 par value, 3 shares authorized, issued and outstanding	—	—
Additional paid-in capital	17,237.5	17,213.1
Retained earnings	4,079.0	3,993.4
Accumulated other comprehensive income (loss)	230.0	209.3
Total CME Group shareholders' equity	21,549.8	21,419.1
Non-controlling interest	6.0	5.8

Edgar Filing: CME GROUP INC. - Form 10-Q

Total Equity	21,555.8	21,424.9
Total Liabilities and Equity	\$42,421.8	\$38,863.2

See accompanying notes to unaudited consolidated financial statements.

5

---



Table of Contents

CME GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(dollars in millions, except per share data; shares in thousands)  
(unaudited)

	Quarter Ended March 31,	
	2013	2012
Revenues		
Clearing and transaction fees	\$593.2	\$621.1
Market data and information services	80.9	114.2
Access and communication fees	21.5	19.7
Other	23.0	19.6
Total Revenues	718.6	774.6
Expenses		
Compensation and benefits	129.4	135.1
Communications	8.9	10.3
Technology support services	12.4	12.8
Professional fees and outside services	21.9	32.2
Amortization of purchased intangibles	25.9	32.8
Depreciation and amortization	32.6	34.9
Occupancy and building operations	18.5	20.3
Licensing and other fee agreements	21.2	20.7
Other	42.3	24.3
Total Expenses	313.1	323.4
Operating Income	405.5	451.2
Non-Operating Income (Expense)		
Investment income	3.6	12.1
Interest and other borrowing costs	(39.0)	(29.1)
Equity in net gains (losses) of unconsolidated subsidiaries	17.5	(0.8)
Total Non-Operating	(17.9)	(17.8)
Income before Income Taxes	387.6	433.4
Income tax provision	150.2	167.1
Net Income	237.4	266.3
Less: net income (loss) attributable to non-controlling interests	1.6	(0.3)
Net Income Attributable to CME Group	\$235.8	\$266.6
Earnings per Common Share Attributable to CME Group:		
Basic	\$0.71	\$0.81
Diluted	0.71	0.80
Weighted Average Number of Common Shares:		
Basic	331,953	330,814
Diluted	333,372	331,851
See accompanying notes to unaudited consolidated financial statements.		

Table of Contents

CME GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(in millions)  
(unaudited)

	Quarter Ended March 31,	
	2013	2012
Net income	\$237.4	\$266.3
Other comprehensive income, net of tax:		
Investment securities:		
Net unrealized holding gains (losses) arising during the period	(2.9	) 99.1
Income tax benefit (expense)	1.2	(48.2
Investment securities, net	(1.7	) 50.9
Defined benefit plans:		
Net change in defined benefit plans arising during the period	1.1	0.5
Amortization of net actuarial (gains) losses included in compensation and benefits expense	0.7	0.6
Income tax benefit (expense)	(0.7	) (0.4
Defined benefit plans, net	1.1	0.7
Derivative investments:		
Net unrealized holding gains (losses) arising during the period	25.0	—
Amortization of effective portion of loss on cash flow hedges included in interest expense	0.7	0.2
Income tax benefit (expense)	(9.4	) (0.1
Derivative investments, net	16.3	0.1
Foreign currency translation:		
Foreign currency translation adjustments	7.8	2.4
Income tax benefit (expense)	(2.8	) (0.9
Foreign currency translation, net	5.0	1.5
Other comprehensive income, net of tax	20.7	53.2
Comprehensive income	258.1	319.5
Less: comprehensive income (loss) attributable to redeemable non-controlling interest	1.6	(0.3
Comprehensive Income Attributable to CME Group	\$256.5	\$319.8
See accompanying notes to unaudited consolidated financial statements.		

Table of ContentsCME GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EQUITY

(dollars in millions, except per share data; shares in thousands)

(unaudited)

	Class A Common Stock (Shares)	Class B Common Stock (Shares)	Common Stock and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total CME Group Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2012	331,832	3	\$17,216.4	\$3,993.4	\$ 209.3	\$21,419.1	\$ 5.8	\$21,424.9
Net income attributable to CME Group and non-controlling interest				235.8		235.8	0.2	236.0
Other comprehensive income attributable to CME Group					20.7	20.7		20.7
Dividends on common stock of \$0.45 per share				(150.2 )		(150.2 )		(150.2 )
Exercise of stock options	300		12.8			12.8		12.8
Excess tax benefits from option exercises and restricted stock vesting			0.3			0.3		0.3
Vesting of issued restricted Class A common stock	31		(1.1 )			(1.1 )		(1.1 )
Stock-based compensation			12.4			12.4		12.4
Balance at March 31, 2013	332,163	3	\$17,240.8	\$4,079.0	\$ 230.0	\$21,549.8	\$ 6.0	\$21,555.8

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CME GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EQUITY (continued)  
(dollars in millions, except per share data; shares in thousands)  
(unaudited)

	Class A Common Stock (Shares)	Class B Common Stock (Shares)	Common Stock and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total CME Group Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2011	330,653	3	\$17,115.8	\$4,324.6	\$ 111.6	\$21,552.0	\$ —	\$21,552.0
Net income attributable to CME Group				266.6		266.6		266.6
Other comprehensive income attributable to CME Group					53.2	53.2		53.2
Dividends on common stock of \$1.05 per share				(347.6 )		(347.6 )		(347.6 )
Exercise of stock options	320		7.9			7.9		7.9
Excess tax benefits from option exercises and restricted stock vesting			2.8			2.8		2.8
Vesting of issued restricted Class A common stock	10		(0.1 )			(0.1 )		(0.1 )
Stock-based compensation			14.3			14.3		14.3
Balance at March 31, 2012	330,983	3	\$17,140.7	\$4,243.6	\$ 164.8	\$21,549.1	\$ —	\$21,549.1

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CME GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in millions)  
(unaudited)

	Quarter Ended March 31,	
	2013	2012
Cash Flows from Operating Activities		
Net income	\$237.4	\$266.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	12.4	14.3
Amortization of purchased intangibles	25.9	32.8
Depreciation and amortization	32.6	34.9
Equity in net (gains) losses of unconsolidated subsidiaries	(17.5)	) 0.8
Deferred income taxes	(7.3)	) (19.2)
Change in:		
Accounts receivable	(42.1)	) (70.3)
Other current assets	24.0	1.7
Other assets	25.4	4.7
Accounts payable	(10.4)	) (2.1)
Income taxes payable	149.0	174.9
Other current liabilities	(35.9)	) (45.2)
Other liabilities	—	2.3
Other	2.5	(0.3)
Net Cash Provided by Operating Activities	396.0	395.6
Cash Flows from Investing Activities		
Proceeds from maturities of available-for-sale marketable securities	8.5	9.1
Purchases of available-for-sale marketable securities	(9.3)	) —
Purchases of property	(20.2)	) (26.7)
Investment in business ventures	—	(22.8)
Net Cash Used in Investing Activities	(21.0)	) (40.4)
Cash Flows from Financing Activities		
Cash dividends	(149.4)	) (346.5)
Proceeds from exercise of stock options	12.8	7.9
Excess tax benefits related to employee option exercises and restricted stock vesting	0.3	2.8
Net Cash Used in Financing Activities	(136.3)	) (335.8)
Net change in cash and cash equivalents	238.7	19.4
Cash and cash equivalents, beginning of period	1,604.7	1,042.3
Cash and Cash Equivalents, End of Period	\$1,843.4	\$1,061.7
Supplemental Disclosure of Cash Flow Information		
Income taxes paid	\$6.4	\$3.8
Interest paid	66.9	55.3
See accompanying notes to unaudited consolidated financial statements.		



Table of Contents

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of Presentation

The consolidated financial statements consist of CME Group Inc. (CME Group) and its subsidiaries (collectively, the company), including Chicago Mercantile Exchange Inc. (CME), Board of Trade of the City of Chicago, Inc. (CBOT), New York Mercantile Exchange, Inc. (NYMEX), Commodity Exchange, Inc. (COMEX), The Board of Trade of Kansas City, Missouri, Inc. (KCBT), and their respective subsidiaries (collectively, the exchange).

The accompanying interim consolidated financial statements have been prepared by CME Group 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 normal recurring adjustments considered necessary to present fairly the financial position of the company at March 31, 2013 and December 31, 2012 and the results of operations and cash flows for the periods indicated. Quarterly results are not necessarily indicative of results for any subsequent period.

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in CME Group's Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission (SEC) on February 28, 2013.

## 2. Intangible Assets

Intangible assets consisted of the following at March 31, 2013 and December 31, 2012:

(in millions)	March 31, 2013			December 31, 2012		
	Assigned Value	Accumulated Amortization	Net Book Value	Assigned Value	Accumulated Amortization	Net Book Value
Amortizable Intangible Assets:						
Clearing firm, market data and other customer relationships	\$2,838.8	\$(491.3)	\$2,347.5	\$2,838.8	\$(467.4)	\$2,371.4
Lease-related intangibles	25.4	(8.7)	16.7	25.4	(8.2)	17.2
Technology-related intellectual property	29.4	(15.9)	13.5	29.4	(14.4)	15.0
Trade name	0.2	(0.1)	0.1	0.2	(0.1)	0.1
Total amortizable intangible assets	\$2,893.8	\$(516.0)	2,377.8	\$2,893.8	\$(490.1)	2,403.7
Indefinite-Lived Intangible Assets:						
Trade names			450.0			450.0
Total intangible assets – other, net			\$2,827.8			\$2,853.7
Trading products <sup>(1)</sup>			\$17,175.3			\$17,175.3

Trading products represent futures and options products acquired in our business combinations with CBOT Holdings, Inc. (CBOT Holdings), NYMEX Holdings, Inc. (NYMEX Holdings) and KCBT. Clearing and (1) transaction fees revenues are generated through the trading of these products. These trading products, most of which have traded for decades, require authorization from the CFTC. Product authorizations from the CFTC have no term limits.

Total amortization expense for intangible assets was \$25.9 million and \$32.8 million for the quarters ended March 31, 2013 and 2012, respectively. As of March 31, 2013, the future estimated amortization expense related to amortizable intangible assets is expected to be as follows.

(in millions)	Amortization Expense
Remainder of 2013	\$76.9
2014	101.5
2015	101.3
2016	97.9
2017	97.3

2018  
Thereafter

96.5  
1,806.4

11

---



Table of Contents

## 3. Debt

Short-term debt consisted of the following at March 31, 2013 and December 31, 2012:

(in millions)	March 31, 2013	December 31, 2012
\$750.0 million fixed rate notes due August 2013, stated rate of 5.40%	\$ 749.8	\$ 749.7
\$750.0 million fixed rate notes due February 2014, stated rate of 5.75%	749.2	—
Total short-term debt	\$ 1,499.0	\$ 749.7

Long-term debt consisted of the following at March 31, 2013 and December 31, 2012:

(in millions)	March 31, 2013	December 31, 2012
\$750.0 million fixed rate notes due February 2014, stated rate of 5.75%	\$—	\$ 749.0
\$612.5 million fixed rate notes due March 2018, stated rate of 4.40% <sup>(1)</sup>	610.2	610.1
\$750.0 million fixed rate notes due September 2022, stated rate of 3.00% <sup>(2)</sup>	747.8	747.7
Total long-term debt	\$ 1,358.0	\$ 2,106.8

In February 2010, the company entered into a forward-starting interest rate swap agreement that modified the (1) interest obligation associated with these notes so that the interest payable on the notes effectively became fixed at a rate of 4.46%.

In August 2012, the company entered into a forward-starting interest rate swap agreement that modified the interest (2) obligation associated with these notes so that the interest payable on the notes effectively became fixed at a rate of 3.32%.

Long-term debt maturities, at par value, were as follows as of March 31, 2013:

(in millions)	Par Value
2014	\$—
2015	—
2016	—
2017	—
2018	612.5
Thereafter	750.0

The fair values of the fixed rate notes due 2013, 2014 and 2022 were estimated using quoted market prices and are considered level 2 liabilities under the classification hierarchy for fair value measurements. The fair value of the fixed rate notes due 2018, which is considered a level 3 liability, was derived using a standard valuation model with market-based observable inputs including U.S. Treasury yields and interest rate spreads. For further information on the three-level classification hierarchy of fair value measurements, see note 8. At March 31, 2013, the fair values of the fixed rate notes by maturity date were as follows:

(in millions)	Fair Value
\$750.0 million fixed rate notes due August 2013	\$ 762.0
\$750.0 million fixed rate notes due February 2014	781.7
\$612.5 million fixed rate notes due March 2018	694.4
\$750.0 million fixed rate notes due September 2022	751.5

## 4. Derivative Investments

The company mitigates certain financial exposures to interest rate risk through the use of derivative financial instruments as part of its risk management program. All derivatives have been designated as cash flow hedges. In August 2012, the company entered into two forward-starting interest rate swap contracts, with an aggregate notional value of \$1.5 billion, to hedge the risk of changes in underlying benchmark interest rates associated with the expected issuances of fixed-rate debt. One of these swap contracts was settled in conjunction with the issuance of fixed-rate debt in September 2012. The hedge was considered highly effective. The effective portion is included in other comprehensive income and will be amortized over the term of the debt.



The fair value and location of outstanding derivative instruments in the consolidated balance sheets as of March 31, 2013 and December 31, 2012 were as follows:

(in millions)	Balance Sheet Location	Fair Value	
		March 31, 2013	December 31, 2012
Interest rate contract	Other assets (other liabilities)	\$24.1	\$(1.0)

The effect of derivative instruments on the consolidated statements of income as well as accumulated other comprehensive income (OCI) within the consolidated statements of comprehensive income and consolidated statements of shareholders' equity for the quarters ended March 31, 2013 and 2012 were as follows.

(in millions)	Gains (Losses) Recognized in OCI (Effective Portion)		Gains (Losses) Reclassified from Accumulated OCI (Effective Portion)		Gains (Losses) Recognized in Income (Ineffective Portion)			
	2013	2012	Location	2013	2012	Location	2013	2012
Interest rate contracts	\$25.0	—	Interest and other borrowing costs	\$(0.7)	)(0.2)	Gains (losses) on derivative investments	\$—	\$—

At March 31, 2013, the company expects to reclassify \$2.9 million of losses on derivative instruments from accumulated other comprehensive income to net income as additional interest expense during the next twelve months.

#### 5. Contingencies

**Legal and Regulatory Matters.** In 2008, Fifth Market, Inc. (Fifth Market) filed a complaint against CME Group and CME seeking a permanent injunction against CME's Globex system and unquantified enhanced damages for what the plaintiff alleges is willful infringement of two U.S. patents, in addition to costs, expenses and attorneys' fees. Beginning in March 2012, the case was stayed pending the outcome of reexamination by the U.S. Patent and Trademark Office (USPTO) to determine the validity of the patents at issue. Based on its investigation to date and advice from legal counsel, the company believes this suit is without merit and intends to defend itself vigorously against these charges.

In 2009, CME and CBOT filed a complaint against Howard Garber seeking a declaratory judgment that neither CME nor CBOT infringed the Garber patent and that the patent is invalid and unenforceable. Beginning in June 2011, the case was stayed pending the outcome of the reexamination by the USPTO to determine the validity of the patent at issue. Based on its investigation to date and advice from legal counsel, the company believes this suit is without merit and intends to defend itself vigorously against these charges.

In 2009, Realtime Data LLC (Realtime) filed a complaint against CME Group and other exchanges alleging willful infringement of four patents which was later amended to add CBOT and NYMEX as defendants. Subsequently, two additional lawsuits have been filed each adding a claim for the infringement of an additional patent. Both of these lawsuits have been consolidated with the original action. Realtime is seeking a permanent injunction, enhanced damages, attorneys' fees and costs. The court entered judgment in CME's favor in September 2012 based on invalidity and non-infringement. Realtime Data filed its appeal brief in March 2013. The USPTO is conducting a parallel review of the patents at issue. Based on its investigation to date and advice from legal counsel, the company believes this suit is without merit and intends to defend itself vigorously against these charges.

The foregoing legal matters involve alleged infringements of intellectual property, which due to their nature involve potential liability that is uncertain, difficult to quantify and involve a wide range of potential outcomes. The company believes that the matters are without merit and intends to defend itself vigorously against the claims. The USPTO's determination of validity of the patents in the Fifth Market, Garber and Realtime matters may have an impact on the merits of the cases. The timing of the USPTO's decisions are uncertain and will be subject to further appeal.

A number of lawsuits were filed in federal court in New York on behalf of all commodity account holders or customers of MF Global who had not received a return of 100% of their funds. These matters have been consolidated into a single action in federal court in New York, and a consolidated amended class action complaint was filed on November 5, 2012. The class action complaint alleges that CME violated the Commodity Exchange Act (CEA), aided

and abetted violations of the CEA by other defendants, and aided and abetted a breach of fiduciary duty by certain officers and directors of MF Global. The class complaint also alleges that CME Group aided and abetted CME's violation of the CEA. The complaint does not allege the amount of damages sought, but rather seeks compensatory and exemplary damages to be determined at trial. Based on the initial analysis of the class complaint, the company believes that it has strong legal and factual defenses to the claims. In addition to the class complaint, the company is aware of two plaintiffs who intend to pursue their claims individually. Given

13

---

## Table of Contents

that these matters are in the very early stage, at this time the company is unable to estimate the reasonably possible loss or range of reasonably possible loss in the unlikely event it was found to be liable in these matters.

In February 2013, the CFTC filed suit against NYMEX and two former employees alleging disclosure of confidential customer information in violation of the CEA. Based on the initial review of the complaint, the company believes that it has strong factual and legal defenses to the claim.

In the normal course of business, the company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry and oversight. These matters could result in censures, fines, penalties or other sanctions. Management believes the outcome of any resulting actions will not have a material impact on its consolidated financial position or results of operations. However, the company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential fines, penalties or injunctive or other equitable relief, if any, that may result from these matters.

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 on an individual basis will not have a material impact on its consolidated financial position or results of operations.

At March 31, 2013 and December 31, 2012, the company had accrued \$14.2 million and \$13.2 million, respectively, for legal and regulatory matters that were probable and estimable.

Intellectual Property Indemnifications. Certain agreements with customers and other third parties related to accessing the CME platforms; utilizing market data services; licensing CME SPAN software; and calculating indexes as a service provider and licensing indexes as the basis of financial products may contain indemnifications from intellectual property claims that may be made against them as a result of their use of the applicable products and/or services. The potential future claims relating to these indemnifications cannot be estimated and, therefore, no liability has been recorded.

### 6. Guarantees

Clearing House Contract Settlement. CME and CME Clearing Europe Limited (CMECE) mark-to-market open positions for most products at least twice a day. Based on values derived from the mark-to-market process, CME and CMECE require payment from clearing firms whose positions have lost value and make payments to clearing firms whose positions have gained value. For select cleared-only markets, positions are marked-to-market once daily, with the capability to mark-to-market more frequently as market conditions warrant. Under the extremely unlikely scenario of simultaneous default by every clearing firm who has open positions with unrealized losses, the maximum exposure related to CME's and CMECE's guarantee would be one half day of changes in fair value of all open positions, before considering CME's and CMECE's ability to access defaulting clearing firms' performance bond and guaranty fund balances as well as other available resources. During the first quarter of 2013, CME and CMECE transferred an average of approximately \$2.0 billion a day through their clearing systems for settlement from clearing firms whose positions had lost value to clearing firms whose positions had gained value. CME and CMECE reduce the guarantee exposure through initial and maintenance performance bond requirements and mandatory guaranty fund contributions. The company believes that its guarantee liability is immaterial and therefore has not recorded any liability at March 31, 2013.

Mutual Offset Agreement. CME and Singapore Exchange Limited (SGX) have a mutual offset agreement with a current term through October 2013. The term of the agreement will automatically renew for a one-year period unless either party provides advance notice of their intent to terminate. CME can maintain collateral in the form of U.S. Treasury securities or irrevocable letters of credit. At March 31, 2013, CME was contingently liable to SGX on irrevocable letters of credit totaling \$231.0 million. 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 performance bonds and guaranty fund contributions of the defaulting clearing firm.

Cross-Margin Agreements. 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 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 would be allocated 50% each to CME and OCC.

A cross-margin agreement exists with CME and Fixed Income Clearing Corp (FICC) whereby the clearing firms' offsetting positions with CME 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 FICC, 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

Table of Contents

house's supporting offsetting positions would be divided evenly between CME and FICC. Additionally, 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 would be shared with the other clearing house to the extent that it has a remaining liquidating deficit. Any remaining surplus funds would be passed to the bankruptcy trustee.

Family Farmer and Rancher Protection Fund. In April 2012, the company established the Family Farmer and Rancher Protection Fund (the Fund). The Fund is designed to provide payments, up to certain maximum levels, to family farmers, ranchers and other agricultural industry participants who use CME Group agricultural products and who suffer losses to their segregated account balances due to their CME clearing member becoming insolvent. Under the terms of the Fund, farmers and ranchers are eligible for up to \$25,000 per participant. Farming and ranching cooperatives are eligible for up to \$100,000 per cooperative. The Fund has an aggregate maximum payment amount of \$100.0 million. If payments to participants were to exceed this amount, payments would be pro-rated. Clearing members and customers must register in advance with the company and provide certain documentation in order to substantiate their eligibility. The company believes that its guarantee liability is immaterial and therefore has not recorded any liability at March 31, 2013.

#### 7. Accumulated Other Comprehensive Income

The following tables present changes in the accumulated balances for each component of other comprehensive income, including current period other comprehensive income and reclassifications out of accumulated other comprehensive income, net of tax and after non-controlling interests:

(in millions)	Investment Securities	Defined Benefit Plans	Derivative Instruments	Foreign Currency Translation	Total
Balance at December 31, 2012	\$256.7	\$(32.4 )	\$(16.4 )	\$1.4	\$209.3
Other comprehensive income before reclassifications	(1.7 )	0.7	15.9	5.0	19.9
Amounts reclassified from accumulated other comprehensive income	—	0.4	0.4	—	0.8
Net current-period other comprehensive income	(1.7 )	1.1	16.3	5.0	20.7
Balance at March 31, 2013	\$255.0	\$(31.3 )	\$(0.1 )	\$6.4	\$230.0

(in millions)	Investment Securities	Defined Benefit Plans	Derivative Instruments	Foreign Currency Translation	Total
Balance at December 31, 2011	\$148.4	\$(26.1 )	\$(1.2 )	\$(9.5 )	\$111.6
Other comprehensive income before reclassifications	50.9	0.3	—	1.5	52.7
Amounts reclassified from accumulated other comprehensive income	—	0.4	0.1	—	0.5
Net current-period other comprehensive income	50.9	0.7	0.1	1.5	53.2
Balance at March 31, 2012	\$199.3	\$(25.4 )	\$(1.1 )	\$(8.0 )	\$164.8

#### 8. Fair Value Measurements

The company uses a three-level classification hierarchy of fair value measurements for disclosure purposes.

Level 1 inputs, which are considered the most reliable evidence of fair value, consist of quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs consist of observable market data, other than level 1 inputs, such as quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices that are directly observable.

Level 3 inputs consist of unobservable inputs which are derived and cannot be corroborated by market data or other entity-specific inputs.

In general, the company uses quoted prices in active markets for identical assets to determine the fair value of marketable securities and equity investments. Level 1 assets generally include U.S. Treasury securities, equity securities listed in active

15

---



Table of Contents

markets, and investments in publicly traded mutual funds with quoted market prices. If quoted prices are not available to determine fair value, the company uses other inputs that are directly observable.

Assets included in level 2 generally consist of asset-backed securities and interest rate swap contracts. Asset-backed securities were measured at fair value based on matrix pricing using prices of similar securities with similar inputs such as maturity dates, interest rates and credit ratings. The company determined the fair value of its interest rate swap contracts using standard valuation models with market-based observable inputs including forward and spot exchange rates and interest rate curves.

The company determined the fair value of its contingent consideration liabilities, considered level 3 liabilities, using a discounted cash flow model to calculate the present value of future payouts. The liabilities were included in level 3 because management used significant unobservable inputs, including a discount rate of 20% and probability of payout ranging from 90% to 100%. Significant increases or decreases in any of those inputs in isolation would result in a significantly higher or lower fair value.

Financial assets and liabilities recorded in the consolidated balance sheet as of March 31, 2013 were classified in their entirety based on the lowest level of input that was significant to each asset or liability's fair value measurement.

Financial Instruments Measured at Fair Value on a Recurring Basis:

(in millions)	March 31, 2013			Total
	Level 1	Level 2	Level 3	
Assets at Fair Value:				
Marketable securities:				
U.S. Treasury securities	\$18.3	\$—	\$—	\$18.3
Mutual funds	42.0	—	—	42.0
Asset-backed securities	—	0.4	—	0.4
Total Marketable Securities	60.3	0.4	—	60.7
Equity investments	718.8	—	—	718.8
Interest rate swap contracts	—	24.1	—	24.1
Total Assets at Fair Value	\$779.1	\$24.5	\$—	\$803.6
Liabilities at Fair Value:				
Contingent consideration	—	—	13.1	13.1
Total Liabilities at Fair Value	\$—	\$—	\$13.1	\$13.1

There were no transfers of assets between level 1 and level 2 during the first quarter of 2013. The following is a reconciliation of liabilities valued at fair value on a recurring basis using significant unobservable inputs (level 3) during the first quarter of 2013. There were no assets classified as level 3 during the first quarter of 2013.

(in millions)	Contingent Consideration
Fair value of liability at December 31, 2012	\$12.6
Unrealized changes in fair value:	
Included in other expenses	0.5
Fair value of liability at March 31, 2013	\$13.1

There were no assets or liabilities valued at fair value on a nonrecurring basis using significant unobservable inputs (level 3) during the first quarter of 2013.

## 9. Earnings Per Share

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

Anti-dilutive stock options and restricted stock awards were as follows for the years presented:

(in thousands)	Quarter Ended	
	March 31,	
	2013	2012
Stock options	1,734	5,258
Restricted stock awards	41	12
Total	1,775	5,270

The following table presents the earnings per share calculation for the years presented:

	Quarter Ended	
	March 31,	
	2013	2012
Net Income Attributable to CME Group (in millions)	\$235.8	\$266.6
Weighted Average Number of Common Shares (in thousands):		
Basic	331,953	330,814
Effect of stock options and restricted stock awards	1,419	1,037
Diluted	333,372	331,851
Earnings per Common Share Attributable to CME Group:		
Basic	\$0.71	\$0.81
Diluted	0.71	0.80

## 10. Subsequent Events

The company has evaluated subsequent events through the date the financial statements were issued and has determined that there are no subsequent events that require disclosure except for the following:

In April 2013, the company purchased the non-controlling interest in CME Group Index Holdings LLC (Index Holdings) for \$80.0 million. Prior to the purchase, the company maintained a 24.4% interest in S&P/Dow Jones Indices LLC (S&P/DJI). As a result of the purchase of the non-controlling interest, the company's interest in S&P/DJI increased to 27%.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is provided as a supplement to, and should be read in conjunction with, the accompanying unaudited consolidated financial statements and notes in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2012.

References in this discussion and analysis to "we," "us" and "our" are to CME Group and its consolidated subsidiaries, collectively. References to "exchange" are to Chicago Mercantile Exchange Inc. (CME), Board of Trade of the City of Chicago, Inc. (CBOT), New York Mercantile Exchange, Inc. (NYMEX), Commodity Exchange, Inc. (COMEX), and The Board of Trade of Kansas City, Missouri, Inc. (KCBT), collectively, unless otherwise noted.

## RESULTS OF OPERATIONS

## Financial Highlights

The following summarizes significant changes in our financial performance for the periods presented.

(dollars in millions, except per share data)	Quarter Ended		
	March 31,		
	2013	2012	Change
Total revenues	\$718.6	\$774.6	(7 )%
Total expenses	313.1	323.4	(3 )
Operating margin	56.4	% 58.3	%
Non-operating income (expense)	\$(17.9 )	\$(17.8 )	1
Effective tax rate	38.8	% 38.6	%
Net income attributable to CME Group	\$235.8	\$266.6	(12 )
Diluted earnings per common share attributable to CME Group	0.71	0.80	(11 )
Cash flows from operating activities	396.0	395.6	—

In the first quarter of 2013 compared with the same period in 2012, the overall decrease in revenues was attributable to a decline in market data and information services revenue resulting from the contribution of certain Dow Jones Index assets and liabilities (DJI asset group) and the sale of Credit Market Analysis Ltd. (CMA) as well as a decrease in clearing and transaction fees resulting from a lower average rate per contract.

The overall decrease in expenses in the first quarter of 2013 when compared with the same period in 2012 was largely due to the decline in expenses resulting from the contribution of the DJI asset group and the sale of CMA. The overall decrease in expenses was partially offset by an increase in currency fluctuation losses resulting from unfavorable changes in exchange rates on certain foreign cash balances.

Non-operating expense remained relatively flat in the first quarter of 2013 when compared with the same period in 2012. The increase in income from our investment in S&P/Dow Jones Indices LLC (S&P/DJI), a new business venture with The McGraw-Hill Companies Inc. (McGraw), was offset by an increase in interest and other borrowing costs and a decline in investment income.

## Revenues

(dollars in millions)	Quarter Ended		
	March 31,		
	2013	2012	Change
Clearing and transaction fees	\$593.2	\$621.1	(4 )%
Market data and information services	80.9	114.2	(29 )
Access and communication fees	21.5	19.7	9
Other	23.0	19.6	18
Total Revenues	\$718.6	\$774.6	(7 )
Clearing and Transaction Fees			

The following table summarizes our total contract volume, revenue and average rate per contract. Total contract volume includes contracts that are traded on our exchange and cleared through our clearing house. Contract volume also includes



Table of Contents

cleared-only CME ClearPort contracts. Volume is measured in round turns, which is considered a completed transaction that involves a purchase and an offsetting sale of a contract. Average rate per contract is determined by dividing total clearing and transaction fee revenues by total contract volume. All amounts exclude our credit default swap, interest rate swap and CME Clearing Europe contracts.

	Quarter Ended		Change	
	March 31,			
	2013	2012		
Total contract volume (in millions)	750.5	763.1	(2	)%
Clearing and transaction fees (in millions)	\$590.0	\$619.2	(5	)
Average rate per contract	\$0.786	\$0.811	(3	)

We estimate the following decreases in clearing and transaction fees based on change in total contract volume and change in average rate per contract during the first quarter of 2013 when compared with the same period in 2012.

(in millions)	Quarter Ended	March 31	
Decrease due to change in total contract volume		\$	(9.9 )
Decrease due to change in average rate per contract			(19.3 )
Decrease in clearing and transaction fees			\$(29.2 )

Average rate per contract is impacted by our rate structure, including volume-based incentives; product mix; trading venue, and the percentage of volume executed by customers who are members compared with non-member customers. Due to the relationship between average rate per contract and volume, the change in revenues attributable to changes in each is only an approximation.

**Contract Volume**

The following table summarizes average daily contract volume. Contract volume can be influenced by many factors, including political and economic factors, the regulatory environment and market competition. Total contract volume decreased by 2% while average daily volume increased by 2% because there were two fewer trading days in the first quarter of 2013 than in the same period in 2012.

(amounts in thousands)	Quarter Ended		Change	
	March 31,			
	2013	2012		
<b>Average Daily Volume by Product Line:</b>				
Interest rate	5,656	5,613	1	%
Equity	2,608	2,390	9	
Foreign exchange	1,010	846	19	
Agricultural commodity <sup>(1)</sup>	1,108	1,122	(1	)
Energy	1,730	1,952	(12	)
Metal	397	385	3	
Aggregate average daily volume	12,509	12,308	2	
<b>Average Daily Volume by Venue:</b>				
Electronic	10,932	10,177	7	
Open outcry	886	1,348	(34	)
Privately negotiated	275	229	20	
Total exchange-traded volume	12,093	11,754	3	
Total CME ClearPort	416	554	(25	)
Aggregate average daily volume	12,509	12,308	2	

(1) Average daily volume for agricultural commodity products includes volume for KCBT beginning on January 1, 2013.



Table of Contents

## Interest Rate Products

The following table summarizes average daily contract volume for our key interest rate products. Eurodollar Front 8 futures include contracts expiring in two years or less while Eurodollar Back 32 futures include contracts with expirations after two years through ten years.

(amounts in thousands)	Quarter Ended		Change	
	2013	2012		
Eurodollar futures and options:				
Front 8 futures	1,097	1,347	(19	)%
Back 32 futures	734	684	7	
Options	400	811	(51	)
U.S. Treasury futures and options:				
10-Year	1,693	1,353	25	
5-Year	811	627	29	
Treasury bond	508	421	20	
2-Year	267	236	13	

Total interest rate contract volume remained flat in the first quarter of 2013 when compared with the same period in 2012. The increase in volume for long-term interest rate contracts, including the U.S. Treasury futures and options and Eurodollar Back 32 futures, was due to higher volatility in long-term interest rates resulting from the Federal Reserve's intention to revisit their quantitative easing strategy and to outline a quantitative easing exit strategy. The Federal Reserve's ongoing quantitative easing and zero interest rate policy resulted in decreased volatility in short-term interest rates throughout 2012 and early 2013, which contributed to the decline in volume for short-term interest rate contracts, including Eurodollar Front 8 futures and Eurodollar options.

## Equity Products

The following table summarizes average daily contract volume for our key equity products.

(amounts in thousands)	Quarter Ended		Change	
	2013	2012		
E-mini S&P futures and options	2,115	1,905	11	%
E-mini NASDAQ futures and options	231	228	1	

The increase in equity contract volume in the first quarter of 2013 when compared with the same period in 2012 was due to improved domestic macroeconomic conditions as well as short periods of volatility related to the Eurozone crisis in early 2013. We believe the increase in overall equity contract volume in the first quarter of 2013 was also due to a greater need for equity futures and options contracts resulting from an increase in assets under management in equity-based funds.

## Foreign Exchange Products

The following table summarizes average daily contract volume for our key foreign exchange products.

(amounts in thousands)	Quarter Ended		Change	
	2013	2012		
Euro	333	308	8	%
Japanese yen	213	100	112	
British pound	141	101	40	
Australian dollar	105	133	(21	)
Canadian dollar	83	90	(7	)

The overall increase in foreign exchange contract volume in the first quarter of 2013 when compared with the same period in 2012 was largely due to higher volatility in the Japanese yen resulting from reduced efforts by the Japanese central bank to control yen exchange rates. Increased volatility and uncertainty within the European Union contributed to the increase in volume in the euro and British pound contracts in the first quarter of 2013 when compared with the

same period in 2012. As

20

---



Table of Contents

volatility returned to the Japanese and European markets, market participants shifted their focus from safe haven currencies, such as the Australian and Canadian dollars, to the Japanese and European markets.

**Agricultural Commodity Products**

The following table summarizes average daily contract volume for our key agricultural commodity products.

(amounts in thousands)	Quarter Ended		Change	
	March 31,			
	2013	2012		
Corn	358	417	(14	)%
Soybean	244	252	(3	)
Wheat	158	124	28	
Soybean oil	105	103	2	

Total agricultural commodity contract volume remained relatively flat in the first quarter of 2013 when compared with the same period in 2012. Corn contract volume decreased as a result of lower price volatility and expectations of higher U.S. corn supplies for 2013. The overall decrease in agricultural commodity volume was offset by incremental wheat contract volume resulting from the addition of KCBT's hard red winter wheat contract as well as increased trading due to an increase in global wheat supplies in the first quarter of 2013.

**Energy Products**

The following table summarizes average daily contract volume for our key energy products.

(amounts in thousands)	Quarter Ended		Change	
	March 31,			
	2013	2012		
Crude oil	748	837	(11	)%
Natural gas	597	734	(19	)
Refined products	330	327	1	

Energy contract volume decreased in the first quarter of 2013 when compared with the same period in 2012 largely due to a decline in natural gas contract volume resulting from lower weather-related volatility in the first quarter of 2013. The decline in crude oil contract volume in the first quarter of 2013 was attributable to lower price volatility in the first quarter of 2013 resulting from less uncertainty in 2013. Uncertainty in early 2012 was the result of oversupply constraints prior to the reversal of the Seaway Pipeline in the second quarter of 2012.

**Metal Products**

The following table summarizes average daily volume for our key metal products.

(amounts in thousands)	Quarter Ended		Change	
	March 31,			
	2013	2012		
Gold	247	245	1	%
Copper	65	63	3	
Silver	60	62	(4	)

Total metal contract volume in the first quarter of 2013 remained consistent with volume in the same period in 2012.

**Average Rate per Contract**

The average rate per contract decreased in the first quarter of 2013 when compared with the same period in 2012 due to a shift in the relative mix of product volume. In the first quarter of 2013, equity and foreign exchange product volumes, when measured as a percentage of total volume, both increased by 1%, while energy product volumes decreased by 2%. Energy products have higher fees compared with equity and foreign exchange products. In addition, the average rate per contract decreased in the first quarter of 2013 when compared with the same period in 2012 due to an increase in incentives and discounts on our energy contracts.

Table of Contents

## Concentration of Revenue

We bill a substantial portion of our clearing and transaction fees to our clearing firms. The majority of clearing and transaction fees received from clearing firms represent charges for trades executed and cleared on behalf of their customers. One firm represented 12% and one firm represented 11% of our clearing and transaction fees revenue in the first quarter of 2013. Should a clearing firm withdraw, we believe that the customer portion of the 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 ongoing loss of revenue received from or through a particular clearing firm.

## Other Sources of Revenue

The decrease in market data and information services revenue in the first quarter of 2013, when compared with the same period in 2012, was attributable to a \$27.5 million decrease in revenue resulting from the contribution of the DJI asset group and the sale of CMA. In the second quarter of 2012, the DJI asset group, including assets which generated market data and information services revenue, were contributed to S&P/DJI. CMA was sold to McGraw as part of that transaction. In addition, the decrease in revenue in the first quarter of 2013 was due to a decline in market data subscriber counts due to continued cost-cutting initiatives at customer firms.

The two largest resellers of our market data represented approximately 53% of our market data and information services revenue in the first quarter of 2013. Despite this concentration, we consider exposure to significant risk of revenue loss to be minimal. In the event that one of these vendors no longer subscribes to our market data, we believe the majority of that vendor's customers would likely subscribe to our market data through another reseller.

Additionally, several of our largest institutional customers that utilize services from our two largest resellers report usage and remit payment of their fees directly to us.

In the first quarter of 2013, when compared with the same period in 2012, the increase in other revenues was attributable to \$8.7 million of revenue recognized upon delivery of services under our technology agreement with BM&FBOVESPA S.A. (BM&FBOVESPA). The increase in revenue from BM&FBOVESPA was partially offset by a \$4.7 million decrease in rental income resulting from our sale of two CBOT buildings in April 2012.

## Expenses

(dollars in millions)	Quarter Ended		
	March 31,		
	2013	2012	Change
Compensation and benefits	\$129.4	\$135.1	(4 )%
Communications	8.9	10.3	(13 )
Technology support services	12.4	12.8	(4 )
Professional fees and outside services	21.9	32.2	(32 )
Amortization of purchased intangibles	25.9	32.8	(21 )
Depreciation and amortization	32.6	34.9	(7 )
Occupancy and building operations	18.5	20.3	(9 )
Licensing and other fee agreements	21.2	20.7	2
Other	42.3	24.3	74
Total Expenses	\$313.1	\$323.4	(3 )

Operating expenses decreased by \$10.3 million in the first quarter of 2013 when compared with the same period in 2012. The following table shows the estimated impact of key factors resulting in the change in operating expenses:

(dollars in millions)	Quarter Ended,		
	March 31, 2013		
	Amount of	Change as a	
	Change	Percentage of	Total Expenses
DJI asset group contribution and CMA sale	\$(18.9 )	(6 )%	
Sale of CBOT building	(3.4 )	(1 )	
Net losses on currency fluctuation	14.3	5	
Other expenses, net	(2.3 )	(1 )	

Total decrease \$(10.3 ) (3 )%

22

---

Table of Contents

Operating expenses decreased in the first quarter of 2013 when compared with the same period in 2012 largely due to the contribution of the DJI asset group and the sale of CMA. The transaction with McGraw contributed to an overall reduction in expenses, including compensation and benefits, professional fees and outside services and amortization of purchased intangibles.

In April 2012, we sold two buildings in Chicago. The building sale contributed to a decline in depreciation and amortization as well as amortization of purchased intangibles associated with lease-related intangible assets in the first quarter of 2013 when compared with the same period in 2012.

The overall decrease in operating expenses in the first quarter of 2013 when compared with the same period in 2012 was partially offset by an increase in currency fluctuation losses resulting from unfavorable changes in exchange rates on British pound cash balances.

## Non-Operating Income (Expense)

(dollars in millions)	Quarter Ended		
	March 31,		
	2013	2012	Change
Investment income	\$3.6	\$12.1	(70 )%
Interest and other borrowing costs	(39.0 )	(29.1 )	35
Equity in net gains (losses) of unconsolidated subsidiaries	17.5	(0.8 )	n.m.
Total Non-Operating	\$(17.9 )	\$(17.8 )	1
n.m. not meaningful			

The decrease in investment income during the first quarter of 2013, when compared with the same period in 2012, was due largely to a \$6.6 million decline in dividend income from our investment in BM&FBOVESPA. BM&FBOVESPA declared a dividend in both February 2012 and 2013. However, the ex-dividend date, which is the basis for revenue recognition, was in the first quarter of 2012 for the 2012 dividend and in the second quarter of 2013 for the 2013 dividend.

In September 2012, we issued \$750.0 million of 3.0% fixed rate notes due September 2022, which contributed to an increase in weighted average borrowings outstanding and a decrease in weighted average effective yield in the first quarter of 2013 when compared with the same period in 2012. Average cost of borrowings remained flat in the first quarter of 2013 when compared with the same period in 2012. The impact of the September 2012 issuance on the average cost of borrowings was offset by higher commitment fees resulting from an increase in our line of credit facilities in the fourth quarter of 2012.

	Quarter Ended		
	March 31,		
	2013	2012	Change
Weighted average borrowings outstanding (in millions)	\$2,862.5	\$2,112.5	\$750.0
Weighted average effective yield	4.80 %	5.27 %	(0.47 )%
Average cost of borrowings (1)	5.52	5.51	0.01

(1) Average cost of borrowings includes interest, the effective portion of interest rate hedges, commitment fees, discount accretion and debt issuance costs.

In the first quarter of 2013, we recognized income from our S&P/DJI investment, which contributed to an increase in equity in net gains (losses) of unconsolidated subsidiaries when compared with the first quarter of 2012.

## Liquidity and Capital Resources

Sources and Uses of Cash. Net cash provided by operating activities in the first quarter of 2013 was relatively consistent with net cash provided by operating activities in the first quarter in 2012. Net cash used in investing activities decreased in the first quarter of 2013 when compared with the same period of 2012 due to our additional investment in a business venture in the first quarter of 2012. Cash used in financing activities was lower in the first quarter of 2013 when compared with the same period in 2012. The decrease was attributable to lower cash dividends in the first quarter of 2013 when compared with the same period in 2012 due to the payment of the 2012 annual variable dividend in the first quarter of 2012. The annual variable dividend for 2013 was accelerated to the fourth quarter of 2012 due to uncertainty surrounding dividend income tax treatment beginning in 2013.



Table of Contents

Debt Instruments. The following table summarizes our debt outstanding as of March 31, 2013:

(in millions)	Par Value
Fixed rate notes due August 2013, interest equal to 5.40%	\$750.0
Fixed rate notes due February 2014, interest equal to 5.75%	750.0
Fixed rate notes due March 2018, interest equal to 4.40% <sup>(1)</sup>	612.5
Fixed rate notes due September 2022, interest equal to 3.00% <sup>(2)</sup>	750.0

In February 2010, we entered into a forward-starting interest rate swap agreement that modified the interest (1) obligation associated with these notes so that the interest payable on the notes effectively became fixed at a rate of 4.46%.

(2) In August 2012, we entered into a forward-starting interest rate swap agreement that modified the interest obligation associated with these notes so that the interest payable effectively became fixed at a rate of 3.32%. We maintain a \$1.8 billion multi-currency revolving senior credit facility with various financial institutions. The proceeds from the revolving senior credit facility can be used for general corporate purposes, which includes providing liquidity for our CME clearing house in certain circumstances at CME Group's discretion and, if necessary, for maturities of commercial paper. As long as we are not in default under the new senior credit facility, we have the option to increase the facility up to \$2.3 billion with the consent of the agent and lenders providing the additional funds. The senior credit facility matures in January 2016 except for \$95.0 million of the existing commitments that expire in January 2014. The \$1.8 billion multi-currency revolving senior credit facility includes a provision to issue up to \$250.0 million of stand-by letters of credit. The senior credit facility is voluntarily prepayable from time to time without premium or penalty. Under our credit facility, we are required to remain in compliance with a consolidated net worth test, which is defined as our consolidated shareholders' equity as of September 30, 2012, giving effect to share repurchases made and special dividends paid during the term of the agreement (and in no event greater than \$2.0 billion in aggregate), multiplied by 0.65. We currently do not have any borrowings under this credit facility. We maintain a 364-day multi-currency line of credit with a consortium of domestic and international banks to be used in certain situations by our CME clearing house. We may use the proceeds to provide temporary liquidity in the unlikely event of a clearing firm default, in the event of a liquidity constraint or default by a depository (custodian for our collateral), or in the event of a temporary disruption with the domestic payments system that would delay payment of settlement variation between us and our clearing firms. CME clearing firm guaranty fund contributions received in the form of U.S. Treasury securities, U.S. government agency securities or money market mutual funds as well as the performance bond assets of a defaulting firm can be used to collateralize the facility. At March 31, 2013, guaranty funds available to collateralize the facility totaled \$4.9 billion. The line of credit provides for borrowings of up to \$5.0 billion. We have the option to request an increase in the line from \$5.0 billion to \$7.0 billion, subject to the approval of participating banks. In addition to the 364-day multi-currency line of credit, we also have the option to use the \$1.8 billion multi-currency revolving senior credit facility to provide liquidity for our clearing house in the unlikely event of default in certain circumstances.

In addition, our 364-day multi-currency line of credit contains a requirement that CME remain in compliance with a consolidated tangible net worth test, defined as CME consolidated shareholder's equity less intangible assets (as defined in the agreement) of not less than \$625.0 million. In the event that CME elects to increase the facility, the minimum consolidated tangible net worth test would increase ratably up to \$875.0 million.

The indentures governing our fixed rate notes, our \$1.8 billion multi-currency revolving senior credit facility and our 364-day multi-currency line of credit for \$5.0 billion do not contain specific covenants that restrict the ability to pay dividends. These documents, however, do contain other customary financial and operating covenants that place restrictions on the operations of the company that could indirectly affect the ability to pay dividends.

At March 31, 2013, we have excess borrowing capacity for general corporate purposes of approximately \$1.8 billion under our multi-currency revolving senior credit facility.

As of March 31, 2013, we were in compliance with the various covenant requirements of all our debt facilities. CME Group, as a holding company, has no operations of its own. Instead, it relies on dividends declared and paid to it by its subsidiaries in order to provide a portion of the funds which it uses to pay dividends to its shareholders.

To satisfy our performance bond obligation with Singapore Exchange Limited, we may pledge CME-owned U.S. Treasury securities in lieu of, or in combination with, irrevocable letters of credit. At March 31, 2013, the letters of credit totaled \$231.0 million.

Table of Contents

The following table summarizes our credit ratings as of March 31, 2013:

Rating Agency	Short-Term Debt Rating	Long-Term Debt Rating	Outlook
Standard & Poor's	A1+	AA-	Negative
Moody's Investors Service	P1	Aa3	Stable

Given our cash flow generation, our ability to pay down debt levels and our ability to refinance existing debt facilities if necessary, we expect to maintain an investment grade rating. If our ratings are downgraded below investment grade due to a change of control, we are required to make an offer to repurchase our fixed rate notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest.

**Liquidity and Cash Management.** Cash and cash equivalents totaled \$1.8 billion at March 31, 2013 and \$1.6 billion at December 31, 2012. 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. A majority of our cash and cash equivalents balance is invested in money market mutual funds that invest only in U.S. Treasury securities or U.S. government agency securities. Our exposure to credit and liquidity risk is minimal given the nature of the investments. Cash that is not available for general corporate purposes is classified as restricted cash and is included in other current assets or other assets in the consolidated balance sheets.

Net current deferred tax assets of \$34.1 million are included in other current assets at both March 31, 2013 and December 31, 2012. Total net current deferred tax assets are attributable to unrealized losses, stock-based compensation and accrued expenses.

Net long-term deferred tax liabilities were \$7.4 billion at March 31, 2013 and December 31, 2012. Net deferred tax liabilities are principally the result of purchase accounting for intangible assets in our various mergers including CBOT Holdings and NYMEX Holdings.

Valuation allowances of \$24.8 million as of March 31, 2013 and December 31, 2012 have been provided for domestic and foreign net operating losses in various jurisdictions for which we do not believe that we currently meet the more-likely-than-not-threshold for recognition.

**Regulatory Requirements.** CME is regulated by the Commodity Futures Trading Commission (CFTC) as a U.S. Derivatives Clearing Organization (DCO). DCOs are required to maintain capital as defined by the CFTC in an amount at least equal to one year of projected operating expenses as well as cash, liquid securities, or a line of credit at least equal to six months of projected operating expenses. CME is in compliance with the DCO financial requirements.

CME, CBOT, NYMEX, COMEX and KCBT are regulated by the CFTC as Designated Contract Markets (DCM). DCMs are also required to maintain capital as defined by the CFTC in an amount at least equal to one year of projected operating expenses as well as cash, liquid securities, or a line of credit at least equal to six months of projected operating expenses. Our DCMs are in compliance with the DCM financial requirements.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to various market risks, including those caused by changes in interest rates, credit, foreign currency exchange rates and equity prices. There have not been material changes in our exposure to market risk since December 31, 2012. Refer to Item 7A. of CME Group's Annual Report on Form 10-K for the year ended December 31, 2012 for additional information.

### ITEM 4. CONTROLS AND PROCEDURES

(a) **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 report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) **Changes in Internal Control Over Financial Reporting.** As required by Rule 13a-15(d) under the Exchange Act, the company's management, including the company's Chief Executive Officer and Chief Financial Officer, have evaluated the company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under



the Exchange Act) to determine whether any changes occurred during the quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting. There were no changes in the company's internal control over financial reporting during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

25

---

## PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

The following is an update to the legal proceedings disclosure included in the company's Annual Report on Form 10-K, filed with the SEC on February 28, 2013.

See "Legal Matters" in Note 5. Contingencies to the Consolidated Financial Statements for updates to CME Group's existing legal proceedings disclosure which is incorporated herein by reference.

## ITEM 1A. RISK FACTORS

There have been no material updates to the Risk Factors disclosure included in the company's Annual Report on Form 10-K, filed with the SEC on February 28, 2013. In addition to the other information contained in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in our Annual Report on Form 10-K, which are the risks that we believe are material at this time. These risks could materially and adversely affect our business, financial condition and results of operations. These risks and uncertainties are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business in the future.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## (c) Issuer Purchases of Equity Securities

Period	(a) Total Number of Class A Shares Purchased (1)	(b) Average Price Paid Per Share	(c) Total Number of Class A Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Value) that May Yet Be Purchased Under the Plans or Programs (in millions)
January 1 to January 31	268	\$ 53.32	—	\$—
February 1 to February 28	578	58.12	—	—
March 1 to March 31	17,780	63.13	212	—
Total	18,626	\$ 62.83	212	

(1) Shares purchased consist of an aggregate of 18,414 shares of Class A common stock surrendered in the first quarter of 2013 to satisfy employees' tax obligations upon the vesting of restricted stock.

In March 2013, the company repurchased an aggregate of 212 shares in connection with a Fractional Share Repurchase Program that was made available to holders of fractional shares of CME Group Class A common stock (2) held as of February, 15, 2013. The fractional shares were purchased at a price of \$62.34 which was based on the average closing price per share of Class A common stock over the five trading day period ending on the last trading day immediately preceding March 14, 2013.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

ITEM 6. EXHIBITS

31.1	Section 302 Certification—Phupinder S. Gill
31.2	Section 302 Certification—James E. Parisi
32.1	Section 906 Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Table of Contents

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.

CME Group Inc.  
(Registrant)

Dated: May 7, 2013

By: /s/ James E. Parisi  
Chief Financial Officer & Senior Managing  
Director Finance  
and Corporate Development