CME GROUP INC.
Form 10-K
February 28, 2012
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2011

OR

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

Commission File Number 001-31553

CME GROUP INC.
(Exact name of registrant as specified in its charter)

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

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

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

Title Of Each Class	Name Of Each Exchange On Which Registered
Class A Common Stock $0.01 par value	NASDAQ GLOBAL SELECT MARKET

Securities registered pursuant to Section 12(g) of the Act: Class B common stock, Class B-1, $0.01 par value; Class B common stock, Class B-2, $0.01 par value; Class B common stock, Class B-3, $0.01 par value; and Class B common stock, Class B-4, $0.01 par value.

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

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

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 ý No ¨

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

10-K. ¨

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

Large accelerated filer x		Accelerated filer o
Non-accelerated filer o	(do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2011, was approximately $19.3 billion (based on the closing price per share of CME Group Inc. Class A common stock on the NASDAQ Global Select Market (NASDAQ) on such date). The number of shares outstanding of each of the registrant’s classes of common stock as of February 15, 2012 was as follows: 66,439,943 shares of Class A common stock, $0.01 par value; 625 shares of Class B common stock, Class B-1, $0.01 par value; 813 shares of Class B common stock, Class B-2, $0.01 par value; 1,287 shares of Class B common stock, Class B-3, $0.01 par value; and 413 shares of Class B common stock, Class B-4, $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of the CME Group Inc.’s Proxy Statement for the 2012 Annual Meeting of Shareholders	Part III

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PART I

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) and Commodity Exchange, Inc. (COMEX). 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 Annual Report on Form 10-K.

Information about Trading Volume and Average Rate per Contract

All amounts regarding trading volume and average rate per contract exclude our TRAKRS, HuRLO, Swapstream, 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 and E-mini 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. Dow Jones and Dow Jones Indexes are service marks of Dow Jones Trademark Holdings, LLC, and have been licensed to CME Index Services LLC. All other trademarks are the property of their respective owners.

FORWARD-LOOKING STATEMENTS

From time to time, in this Annual Report on Form 10-K 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 expressio 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;
- 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, including end customers, intermediaries and clearing members;
- our ability to expand and offer our products in non-U.S. jurisdictions;
- changes in domestic and non-U.S. regulations;
- changes in government policy, including policies relating to common or directed clearing, changes as a result of legislation and regulation stemming from the implementation of the Dodd-Frank Act or changes stemming from the bankruptcy of MF Global on our ability to use customer collateral;
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the costs associated with protecting our intellectual property rights and our ability to operate our business without violating the intellectual property rights of others;

- our ability to generate revenue from our market data that may be reduced or eliminated by the growth of electronic

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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 financial crisis that began in 2008, the Eurozone debt crisis and any other future crises;
- our ability to accommodate increases in trading 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 this Report beginning on page 15.

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ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Building on the heritage of its futures exchanges (CME, CBOT, NYMEX and COMEX), CME Group serves the risk management and investment needs of customers around the globe.

CME was founded in 1898 as a not-for-profit corporation. In 2000, CME demutualized and became a shareholder-owned corporation. As a consequence, we adopted a for-profit approach to our business, including strategic initiatives aimed at optimizing trading volume, efficiency and liquidity. In 2002, Chicago Mercantile Exchange Holdings Inc. (CME Holdings) completed its initial public offering of its Class A common stock, which is listed on the NASDAQ Global Select Market under the symbol “CME”.

In 2007, CME Holdings merged with CBOT Holdings, Inc. and was renamed CME Group. In connection with the merger, we acquired the CBOT exchange. CBOT is a leading marketplace for trading agricultural and U.S. Treasury futures as well as options on futures. In 2008, we acquired Credit Market Analysis Limited and its three subsidiaries (collectively, CMA). CMA is a provider of credit derivatives market data. Also in 2008, we merged with NYMEX Holdings and acquired NYMEX and COMEX, its wholly-owned subsidiaries. On NYMEX, customers primarily trade energy futures and options contracts, including contracts for crude oil, natural gas, heating oil and gasoline, as well as over-the-counter energy transactions cleared through CME ClearPort. On COMEX, customers trade metal futures and options contracts, including contracts for gold, silver and copper. In 2010, CME Group entered into a joint venture with Dow Jones to create CME Group Index Services, in which we own a 90% stake and Dow Jones owns a 10% stake. CME Group Index Services is the owner of the Dow Jones Indexes, which includes The Dow Jones Industrial Average and approximately 130,000 index properties. In November 2011, we announced our agreement with McGraw-Hill to establish a new joint venture in which McGraw-Hill will contribute its S&P Indices business and we will contribute a portion of the CME Group Index Services business to create S&P/Dow Jones Indices, a global leader in index services. As part of the proposed transaction, McGraw-Hill will acquire our CMA business. We launched CME Clearing Europe in 2011 to expand our European presence and further extend the geographical reach of our clearing services. In the beginning of 2012, we launched our co-location business which is comprised of hosting, connectivity and customer support services providing further diversification of our revenue stream.

Our futures and clearing business has historically been subject to the extensive regulation of the Commodity Futures Trading Commission (CFTC). As a result of our global operations, we are also subject to the rules and regulations of the local jurisdictions in which we conduct business, including the Financial Services Authority (FSA) based on our offering of various CME Group products and services to European customers and the operation of CME Clearing Europe, and the Securities and Exchange Commission (SEC) in connection with our offering of clearing services for security-based swaps.

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

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The company reports the results of its operations as one reporting segment primarily comprised of the CME, CBOT, NYMEX and COMEX exchanges. The remaining operations do not meet the thresholds for reporting separate segment information.

NARRATIVE DESCRIPTION OF BUSINESS

We offer the widest range of global benchmark products across all major asset classes based on interest rates, equity indexes, foreign exchange, energy, agricultural commodities, metals, weather and real estate. Our products include both exchange traded and over-the-counter derivatives. We bring buyers and sellers together through our CME Globex electronic trading platform across the globe and our open outcry trading facilities in Chicago and New York City and provide hosting, connectivity and customer support for electronic trading through our co-location services. We also provide clearing and settlement services for exchange-traded contracts, as well as for cleared over-the-counter derivatives transactions. Finally, we offer a wide range of market data services-including live quotes, delayed quotes, market reports and a comprehensive historical data service and have expanded into the index services business through CME Group Index Services.

Our Competitive Strengths

CME Group offers a number of key differentiating elements that set it apart from its competitors, including:
Highly Liquid Markets-Our listed futures markets provide an effective forum for our customers to manage their risk and meet their investment needs relating to our markets. We believe that our customers choose to trade on our centralized market due to its liquidity and price transparency. Market liquidity, or the ability of a market to absorb the execution of large purchases or sales quickly and efficiently whereby the market recovers quickly following the execution of large orders, is key to attracting customers and contributing to a market's success.

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Most Diverse Product Line-Our products provide a means for hedging, speculation and asset allocation relating to the risks associated with, among other things, interest rate sensitive instruments, equity ownership, changes in the value of foreign currency, credit risk and changes in the prices of agricultural, energy and metal commodities. The estimated percentage of clearing and transaction fees revenue contributed by each product line is as follows:

Product Line	2011		2010		2009	
Interest rate	27	%	27	%	26	%
Equity	21		21		24	
Foreign exchange	7		7		6	
Agricultural commodity	13		12		10	
Energy	26		27		29	
Metal	6		6		5	

The breadth and diversity of each of our product lines and the variety of their underlying contracts is beneficial to our overall performance when an individual product line or individual product is impacted by macroeconomic factors. For example, the impact to our interest rate product line due to the credit crisis and the Federal Reserve Bank's zero interest rate policy was partially offset by trading volume in our other product lines. Additionally, our product lines contain various products designed to address differing risk management needs. For example, our interest product suite includes both short-term and long-term products.

Our products are traded through the CME Globex electronic trading platform, our open outcry auction markets in Chicago and New York City and through privately negotiated transactions that we clear. The estimated percentage of clearing and transaction fees revenue contributed by each trading venue is as follows:

Trading Venue	2011		2010		2009	
Electronic	75	%	74	%	72	%
Open outcry	9		10		11	
Privately negotiated	5		5		5	
CME ClearPort (OTC)	11		11		12	

Our products generate valuable information regarding prices and trading activity. We distribute our market data over the CME market data platform directly to our electronic trading customers as part of their access to our markets and to quote vendors who consolidate our market data with that from other exchanges, other third-party data providers and news sources, and then resell their consolidated data. The estimated contributions of our market data and information services products, excluding our index market data offerings, based on percentage of total revenue over the last three years were 10% in 2011, 11% in 2010 and 13% in 2009.

In 2010, we expanded our index market data offerings through our joint venture with Dow Jones, CME Group Index Services, which further diversified our revenue streams. We derived 3% of our revenues from the business acquired from Dow Jones in 2011 and 2% in 2010.

Safety and Soundness of our Markets-We understand the importance of ensuring that our customers are able to manage and contain their trading risks. As the markets and the economy have evolved, we have worked to adapt our clearing services to meet the needs of our customers. We apply robust risk management standards and enforce and facilitate applicable CFTC customer protection standards for exchange-traded products and cleared over-the-counter derivatives. Clearing member firms are continually monitored and audited for their outstanding risk, capital adequacy and compliance with customer protection rules and regulations. We utilize a combination of risk management capabilities to assess clearing firm and their account exposure levels for all asset classes 24 hours a day throughout the trading week. Our U.S. clearing house is operated within our CME exchange and we also operate a UK clearing house in CME Clearing Europe.

Our integrated clearing function is designed to ensure the safety and soundness of our markets. Our clearing services are designed to protect the financial integrity of our markets by serving as the counterparty to every trade, becoming the buyer to each seller and the seller to each buyer, and limiting credit risk. The clearing house is responsible for settling trading accounts, clearing trades, collecting and maintaining performance bond funds, regulating delivery and reporting trading data. CME Clearing marks open positions to market at least twice a day, and requires payment from clearing firms whose positions have lost value and makes payments to clearing firms whose positions have gained value. For select cleared-only markets, positions are marked-to-market daily, with the capacity to mark-to-market more frequently as market conditions warrant. We also offer clearing services through CME ClearPort, a comprehensive set of flexible clearing services for the global over-the-counter market backed by CME Clearing. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk," beginning on

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page 53 and “Item 1A. Risk Factors,” beginning on page 15, for more information on our financial safeguards package and the associated credit risks related to our clearing services.

Superior Trading Technology and Distribution-We strive to provide the most flexible architecture in terms of bringing new technology, innovations and solutions to the market. Our CME Globex electronic trading platform is accessible on a global basis nearly 24 hours a day throughout the trading week. In 2011, 84% of our trading volume was conducted electronically.

Our platform offers:

- certainty of execution;
- vast capabilities to facilitate complex and demanding trading;
- direct market access;
- fairness, price transparency and anonymity; and
- global distribution, including connection through high-speed international telecommunications hubs in key financial centers in Europe, Asia and Latin America.

In January 2012, we launched our service offerings for co-location at our data center facility, which houses our trading match engines for all products traded on the CME Globex platform. The service provides the lowest latency connection for our customers. The offering is made available to all customers on equal terms.

Our Strategic Initiatives

The following is a description of our strategic initiatives:

Leading Core Business Innovation-We are continuing to enhance our customer relations to allow us to further cross-sell our products, expand on the strength of our existing benchmark products and launch new products. In 2010 and 2011, new product launches included the Ultra-long Bond Treasury futures and options and Weekly Treasury options.

Globalizing our Company and our Business-Our goal is to continue to expand and diversify our customer base worldwide and offer customers around the world the most broadly diversified portfolio of benchmark products. We believe that we have significant opportunity to expand the participation of our non-U.S. customer base in our markets. We are focusing on core growth in global markets because we believe that Asia, Latin America, and other emerging markets will experience superior economic and financial markets growth over the next decade compared with the more mature North American and European markets. In particular, we plan to expand our presence in major financial centers in Asia, grow our commodities business with non-U.S. customers and products and penetrate historically closed and semi-open markets such as China. We now have an agreement with Mysteel, China's leading provider of ferrous price and indexing services, to develop risk management products for the ferrous metals industry based on Mysteel's market-leading price data services.

To further enhance our customers' trading opportunities, we have partnered with leading exchanges around the world to make their products available on or through our CME Globex platform and network. These arrangements allow our customers to access many of the world's most actively traded equity futures contracts-Brazilian iBovespa index futures, Korean Kospi 200 index futures, Indian Nifty 50 index futures, Japanese Nikkei 225 index futures and the Mexican IPC index. In 2011, we extended our partnership with BM&FBOVESPA with the launch of the derivatives segment of a new multi-asset class electronic trading platform deployed by BM&FBOVESPA. Our strategic relationships with Bursa Malaysia Derivatives, Dubai Mercantile Exchange, Johannesburg Stock Exchange and Singapore Exchange allow us to accelerate our market penetration, expand our customer reach, and develop product sales channels with local brokers. These relationships are also designed to allow the customers of our partner exchanges to access our products and markets.

In May 2011, we launched CME Clearing Europe and we have made steady progress building on our European presence to further extend the geographical reach of our clearing services. We now clear more than 170 different energy, commodity, metal and freight contracts through CME Clearing Europe and we continue to expand the range of eligible products. Next steps include the launch of additional metals contracts, the launch of interest rate swaps and cross-margining with our U.S. clearing house.

Leading our Industry in Customer Service, Education and Training, and Sales Support-To ensure that we are providing our customers with effective service, we restructured our global client development and sales organization to better target cross asset sales across client segments, drive international sales (specifically in Asia and Europe) and to generate new client participation across all regions. We continue to build upon our global team in key locations outside the United States to better serve our customers on a global basis. We now have key leaders in place in each business line, in our global sales function and in our Europe and Asia offices. To assist our customers in achieving their trading and risk management goals, we also continue to enhance our educational resources on our products and services.

Extending our Capabilities and Business in the Over-the-Counter Markets-Our goal is to provide a comprehensive multi-asset class clearing solution to the market for maximum operational ease and the capital efficiency that comes with connecting to a single clearing house. Our over-the-counter offerings provide the extensive counterparty risk reduction and transparency of our clearing services while preserving the prevailing execution processes, technology platforms and economic structures currently in use in the marketplace. We offer clearing services for cleared over-the-counter derivatives, including credit default swaps, interest rate swaps and for agricultural products and foreign exchange. We have worked closely with buy side and sell side participants to build a multi-asset class, market leading OTC clearing solution. In the fourth quarter of 2011, we successfully launched interest rate swaps in Eurodollars, British pounds and Canadian dollars, and we are targeting the launch of interest rate swaps in Australian dollars, Swiss francs and Japanese Yen in the first half of 2012. In 2011, we cleared over-the-counter transactions with a notional value of over $206.4 billion and open interest as of December 31, 2011 was $161.0 million. Our CME ClearPort platform offers an array of clearing services that depend on the nature of the product traded. It has the capacity to clear and report transactions in multiple asset classes. In 2011, we added more than 240 products to our CME ClearPort system.

Establishing Ourselves as the Leading Exchange Company Provider of Information Products and Index Services-We offer a variety of market data services for the futures, equities and the over-the-counter markets. In 2010, we expanded our index services business through the formation of CME Group Index Services with Dow Jones. This venture allows us to bring the Dow Jones' brand and index creation and calculation capabilities to current and prospective clients and exchange partners; provides additional cross-listing opportunities and new global opportunities for index creation, calculation and licensing in cash, derivatives and over-the-counter markets globally; allows us to cross-sell and co-brand products; and expand market data dissemination services to our global network of clients and exchange partners. In November 2011, we announced our agreement with McGraw-Hill to establish a new joint venture in which McGraw-Hill will contribute its S&P Indices business and we will contribute a portion of the CME Group Index Services business to create S&P/Dow Jones Indices, a global leader in index service. The new venture, which remains subject to regulatory approval and customary closing conditions, will create a leading index provider well-positioned to serve global institutional and retail customers and will allow us to continue to be innovative with product development and co-branding across asset classes. As part of the agreement, we will acquire a long term, ownership-linked, exclusive license to list futures and options on futures based on the Standard & Poor's (S&P) Indices.

MF Global Matter

In October 2011, the Federal District Court for the Southern District of New York, upon petition by the Securities Investor Protection Corporation, placed the futures commission merchant/broker-dealer arm of MF Global, one of our largest clearing firms at the time, into Securities Investor Protection Act liquidation. As of February 10, 2012, the trustee for the liquidation of MF Global was estimating the shortfall in customer segregated funds as of that date to be at least $900 million, and that there was an additional shortfall as of that date of at least $700 million in customer "secured" funds (funds related to trading on foreign exchanges). Since the bankruptcy, with the trustee's permission, we transferred all of our open positions in MF Global customer accounts to other futures commission merchants, and facilitated the transfer to other futures commission merchants of cash representing roughly 72% of the segregated account balances of public customers. We continue to take steps to work with the bankruptcy trustee to facilitate the release of additional available customer funds, including providing a financial guarantee of $550.0 million as described in more detail on page 83.

There are ongoing investigations by the Department of Justice, the Federal Bureau of Investigations (FBI), the CFTC, and the SEC into the events surrounding the MF Global bankruptcy, including efforts to locate the missing segregated customer property and determining which individuals and entities may have civil or criminal liability for the shortfall. We were the designated self-regulatory organization for MF Global, meaning we were responsible for conducting periodic audits of the futures commission merchant pursuant to Joint Audit Committee standards. We believe that we carried out our duties and responsibilities in accordance with these standards and procedures. We have been named in a number of lawsuits filed in connection with the MF Global matter. See "Legal Matters" in Note 13. Contingencies to the Consolidated Financial Statements, beginning on page 82 for more information on these proceedings.

As a result of the shortfall in customer segregated funds, the industry, its self-regulatory model and the segregation regime are under scrutiny. Several Congressional hearings have been held to evaluate the situation and various policy suggestions have been made to ensure the protection of customer segregated funds. The adoption of such regulations will likely increase our costs of providing clearing services.

Patents, Trademarks and Licenses

We own the rights to a large number of trademarks, service marks, domain names and trade names in the United States, Europe and in other parts of the world. We have registered many of our most important trademarks in the United States and other countries. We hold the rights to a number of patents and have made a number of patent applications. Our patents cover match engine, trader user interface, trading floor support, market data, general technology and clearing house functionalities. We also own the copyright to a variety of materials. Those copyrights, some of which are registered, include printed and online

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publications, web sites, advertisements, educational material, graphic presentations and other literature, both textual and electronic. We attempt to protect our intellectual property rights by relying on trademarks, patents, copyrights, database rights, trade secrets, restrictions on disclosure and other methods.

We offer equity index futures and options on key benchmarks, including S&P, NASDAQ, Dow Jones and Nikkei indexes. We also have an agreement with the Chicago Board Options Exchange (CBOE) to allow us to list futures and options on futures for volatility indexes on a variety of asset classes. With the exception of Dow Jones, these products are listed by us subject to license agreements with the applicable owners of the indexes. We have exclusive arrangements with S&P and The NASDAQ OMX Group, Inc. (NASDAQ) and non-exclusive arrangements with the other third parties. Our rights to the Dow Jones indexes previously were evidenced by an exclusive agreement but are now part of our ownership of the joint venture. Our S&P license is exclusive through 2016 and non-exclusive from that date until 2017 with some exceptions provided certain trading volume is achieved. As previously discussed, our proposed joint venture with McGraw-Hill will provide us with a long-term, ownership-linked exclusive license to the S&P Indices. Our NASDAQ license is exclusive through 2019. Copies of our S&P and NASDAQ license arrangements have been filed as material contracts. We pay the applicable third party per trade fees based on trading volume under the terms of these licensing agreements.

We also have a licensing and membership agreement with BBA Enterprises Limited and the British Bankers' Association (collectively, BBA) for the use of its London Interbank Offered Rate (LIBOR) to settle several of our interest rate products, including our Eurodollar contract. For the license, we paid an upfront fee and pay an annual fee. Numerous regulators including the SEC, CFTC and the FSA are investigating whether there were attempts to manipulate LIBOR rates. LIBOR rates play a significant role in the financial system. To the extent the investigation finds that the LIBOR rate was distorted or manipulated, it could have a negative impact on our customers' confidence in settlement prices dependent on LIBOR, including our benchmark Eurodollar contract.

We cannot assure you that we will be able to maintain the exclusivity of our licensing agreements with S&P and NASDAQ or be able to maintain our other existing licensing arrangements. In addition, we cannot assure you that others will not succeed in creating stock index futures based on information similar to that which we have obtained by license, or that market participants will not increasingly use other instruments, including securities and options based on the S&P, NASDAQ or Dow Jones indexes, to manage or speculate on U.S. stock risks. Parties may also succeed in offering indexed products that are similar to our licensed products without being required to obtain a license, or in countries that are beyond our jurisdictional reach and/or our licensors. For example, we are a party to a pending legal matter seeking a declaratory judgment that the opposing party is required to obtain a valid license in order to list certain products based upon the Dow Jones and S&P indexes. While we have prevailed on a motion for summary judgment, the matter is currently pending appeal. A negative decision in the matter would have a negative impact on our ability to generate revenues from our index services business.

Seasonality

Generally, we have historically experienced relatively higher trading volume during the first and second quarters and sequentially lower trading volume in the third and fourth quarters. However, such seasonality may also be impacted by general market conditions, such as the 2008 economic crisis and the impact of the MF Global bankruptcy. During 2011, 25% of our consolidated revenues were recognized in the first quarter, 26% in the second quarter, 27% in the third quarter and 22% in the fourth quarter.

Working Capital

We generally meet our funding requirements with internally generated funds supplemented from time to time with public debt and commercial paper offerings. For more information on our working capital needs, see “Management's Discussion and Analysis of Operations and Financial Condition-Liquidity and Capital Resources,” beginning on page 33, which section is incorporated herein by reference.

Customer Base

Our customer base includes professional traders, financial institutions, institutional and individual investors, major corporations, manufacturers, producers and governments. Our customers can access our CME Globex trading platform across the globe. Customers may be members of one or more of our exchanges. Rights to directly access our markets will depend upon the nature of the customer, such as whether the individual is a member of one of our exchanges or has executed an agreement with us for direct access.

Rights and privileges of membership are exchange specific. Trading on our open outcry trading floors is conducted exclusively by our members. Membership on one of our futures exchanges also enables a customer to trade specific products at reduced rates and lower fees. Under the terms of the organizational documents of our exchanges, our members have certain rights that relate primarily to trading right protections, certain trading fee protections and certain membership benefit protections. In 2011, 80% of our trading volume was conducted by our members.

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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% of our clearing and transaction fees revenue for 2011. In the event a clearing firm were to withdraw, we believe that the customer portion of the firm's trading activity would likely transfer to another clearing firm of the exchange. In 2011, MF Global, one of our largest clearing firms, was placed into bankruptcy and we transferred all of their more than 30,000 customer accounts to other futures commission merchants.

Competition

The industry in which we operate is highly competitive and we expect competition to continue to intensify, especially in light of the enactment of the Dodd-Frank Act (Dodd-Frank) and other reforms of the financial services industry as discussed in the following section. For example, Dodd-Frank provides for central clearing of “clearable” over-the-counter swaps and requires that swaps that are cleared must be traded on exchanges or swap execution facilities, unless no exchange or swap execution facility makes the swap available for trading. While these new requirements create opportunities for us to expand our over-the-counter business, a number of market participants and other exchanges have developed, and likely will develop in the future, competing platforms and products.

We encounter competition in all aspects of our business, including from entities having substantially greater capital and resources and offering a wider range of products and services, and some operating under a different and possibly less stringent regulatory regime. We face competition from other futures, securities and securities option exchanges; over-the-counter markets; clearing organizations; consortia formed by our members and large market participants; alternative trade execution facilities; technology firms, including market data distributors and electronic trading system developers; and others.

Competition in our Derivatives Business

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

- depth and liquidity of markets;
- transaction costs;
- breadth of product offerings and rate and quality of new product development;
- ability to position and expand upon existing products to address changing market needs;
- transparency, reliability and anonymity in transaction processing;
- connectivity, accessibility and distribution;
- technological capability and innovation;
- efficient and secure settlement, clearing and support services;
- regulatory environment; and
- reputation.

We believe that we compete favorably with respect to these factors. Our deep, liquid markets; diverse product offerings; rate and quality of new product development; and efficient, secure settlement, clearing and support services distinguish us from our competitors. We believe that in order to maintain our competitive position, we must continue to expand globally; develop new and innovative products; enhance our technology infrastructure, including its reliability and functionality; maintain liquidity and low transaction costs and adopt such additional customer protections as the regulators and customers require as a result of the MF Global bankruptcy.

Our industry has continued to experience significant consolidation efforts. Many of these recent efforts have failed due to lack of shareholder support or regulatory issues, including the NYSE Euronext/Deutsche Bourse proposed merger; the London Stock Exchange's bid for the TMX Group and the Singapore Stock Exchange's proposed acquisition of the Australian Stock Exchange. At the end of 2011, there were approximately 60 futures exchanges located in approximately 30 countries. We expect industry participants to continue to look for ways to grow their business despite the challenging regulatory environment and other exchanges may become the target of future consolidation efforts.

Among our key competitors in our exchange-traded business are New York Portfolio Clearing (NYPC) and the Electronic Liquidity Exchange (ELX) in our interest rate product line and IntercontinentalExchange, Inc. (ICE) in our agricultural commodities, currency, equity index and energy contracts. In early 2012, NYSE Liffe U.S. announced it had secured an exclusive license to launch futures contracts based on the Depository Trust and Clearing Corporation's proprietary general collateral finance repo index which will compete with our interest rate products. Our over-the-counter business also competes with LCH.Clearnet for our interest rate swaps and ICE for our credit default swaps. Newer entrants into our industry may further increase competitive pressure on us.

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Because equity futures contracts are alternatives to underlying stocks and a variety of equity option and other contracts provide an alternative means of obtaining exposure to the equity markets, we also compete with NYSE Euronext and other securities and options exchanges, dealer markets and alternative trading systems, as well as with ICE in connection with its futures and options on futures contracts based on the Russell indexes.

We face competition from the over-the-counter market with the trading of contracts similar to those traded or cleared on our exchanges, such as swaps, forward contracts and other exchange “look-alike” contracts, in which parties directly negotiate the terms of their contracts, as well as from spot markets, ETFs and other substitutes for our products. Development of swap execution facilities and the mandated clearing requirement for certain products may create platforms that promote competitive substitutes for our privately negotiated and exchange-traded products.

Competition in our Transaction Processing Business

In addition to the competition we face in our derivatives business, we face a number of competitors in our transaction processing and other business services. In the past few years, there has been increased competition in the provision of clearing services and we expect competition to continue to increase in connection with the implementation of Dodd-Frank which requires the mandatory central clearing of standardized over-the-counter products.

ICE has its own clearing operations which are comprised of regulated clearing houses across the United States, Europe and Canada. OCC issues and clears U.S.-listed options and futures on a number of underlying financial assets including common stocks, currencies and stock indexes, including clearing services for ELX. In 2011, NYPC, a clearing house created by NYSE Euronext and The Depository Trust & Clearing Corporation, began clearing interest rate products traded on NYSE Liffe U.S. and plans to expand to additional exchanges in the future. We believe that other exchanges may also undertake to provide clearing services.

We believe competition in the transaction processing and business services market is based on, among other things, the fees charged for the services provided; quality and reliability of the services; timely delivery of the services; reputation; offering breadth; confidentiality of positions and information security protective measures; and the value of providing customers with capital efficiencies.

Competition in our Market Data Business

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

Regulatory Matters

Our operation of futures exchanges is subject to extensive regulation by the CFTC under its principles-based approach which requires that our exchange subsidiaries satisfy the requirements of certain core principles relating to the operation and oversight of our markets and our clearing house. The CFTC carries out the regulation of the futures markets in accordance with the provisions of the Commodity Exchange Act and the Commodity Futures Modernization Act. The CFTC is subject to reauthorization every five years, which most recently occurred in 2008.

In light of the widespread financial and economic difficulties, particularly acute in the latter half of 2008 and early 2009, there were calls for a restructuring of the regulation of financial markets. Dodd-Frank, which was signed into law in 2010, is a comprehensive banking and financial services reform package that includes significant changes to the oversight of the derivatives markets, both over-the-counter and exchange-traded. Dodd-Frank reinforces the core tenets of our markets:

- price transparency;
- liquid markets to minimize transaction costs;
- market integrity;
- customer protection; and
- the safety and soundness of central counterparty clearing services.

Dodd-Frank also provides the Federal Reserve Board with authority over systematically important financial entities. We have been notified that our U.S. clearing house may be regulated as a systematically important financial entity.

Since adoption, the CFTC, the SEC, the Department of Treasury and other regulators have engaged in extensive rulemaking to implement the legislation. CME Group and others in the industry continue to actively participate in the rulemaking process with the goal that the final regulations serve the public interest, foster competition and innovation and do not place the U.S. financial services

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sector at a competitive disadvantage in our evolving global financial markets. During 2011, several regulations implementing Dodd-Frank were finalized, including rules relating to mandatory clearing and the operation of a clearing house, anti-manipulation, large trader reporting, position limits and the definition of agricultural commodity. A significant portion of the Act, however, remains subject to further rulemaking and such final regulations could include provisions that could negatively impact our business. Additionally, as a result of the MF Global bankruptcy and the shortfall in commodities customer segregated funds, the futures industry, its self-regulatory model and the segregation regime are under scrutiny by the CFTC and Congress. Several Congressional hearings have been held to evaluate the situation and various policy suggestions have been made to ensure the protection of customer segregated funds. We have and expect to continue to incur significant additional costs to make the necessary change to our business to comply with the provisions of Dodd-Frank and any new regulations stemming from the MF Global matter.
Our top areas of focus in the regulatory environment are:

- Changes to the core principles to designated contract markets, including any changes to Core Principle 9 - the board of trade shall provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading in the centralized market of the board of trade (Core Principle 9). Rules promulgated under this provision may require us to make modifications to the manner in which certain of our contracts trade and/or require that such products be de-listed as futures and re-listed as swaps after a specified compliance period.
- Changes to the self-regulatory model, which, if modified, could alter the manner in which we currently oversee our marketplace. We believe that we are best positioned to continue to conduct financial and market surveillance of our clearing firms.
- The implementation of the position limit rules which could have a significant impact on our commodities business relative to such markets abroad given that it does not appear that foreign jurisdictions will impose position limits rules as stringent as those adopted by the CFTC.
- The proposed rules of the Internal Revenue Service regarding the tax treatment of certain derivatives contracts which could result in a significant number of our contracts losing their 60/40 tax treatment.

As a global company with operations and locations around the world, we are also subject to the laws and regulations in the locations in which we do business.

The financial services industry outside of the United States is also undergoing similar significant reform, particularly in Europe. For example, in the United Kingdom the government has proposed to reorganize its regulatory framework which would include the dissolution of the FSA with oversight to be transitioned to the Bank of England, the Financial Conduct Authority, and the Prudential Regulation Authority depending upon the status of the regulated entity. As a result, in the United Kingdom our operations could be subject to multiple regulators. The European Union is also undergoing similar reform with multiple supervisory authorities, such as the European Securities and Markets Authority (ESMA) established in 2011. In addition to the national regulators, ESMA is likely to have a supervisory and oversight role over European clearing houses, non-European clearing houses and non-European exchanges providing services in Europe. Multiple legislations such as the European Market Infrastructure Regulation, the Markets in Financial Instruments Directive, the Capital Requirements Directive IV and the Market Abuse Directive have been proposed with provisions similar to those contained in Dodd-Frank.

To the extent the regulatory environment following these and other financial reform regulations is less beneficial for us or our customers, our business, financial condition and operating results could be negatively affected.

If we fail to comply with applicable laws, rules or regulations, we may be subject to censure, fines, cease-and-desist orders, suspension of our business, removal of personnel or other sanctions, including revocation of our designations as a contract market and derivatives clearing organization.

As a result of the 2010 “flash crash,” regulators have been focused on the role of high frequency traders and their impact on the markets. Although not clearly defined, high frequency trading typically refers to professional traders acting in a proprietary capacity that engage in strategies that generate a large number of trades on a daily basis. The CFTC has formed a subcommittee to define high frequency trading which will begin the process of assessing the impact of such trading on the marketplace and the development of any new regulations. We believe that such trading plays an important role in the marketplace by making it more efficient and competitive for all market participants and such firms contribute significantly to our liquidity. At this time, however, it is unclear whether these inquires will result in restrictions on the use of high frequency trading.

In the United States and Europe, there are several proposals to tax financial transactions or to assess user fees for market participants. For example, in the United States, there is a discussion of assessing a user fee to fund the CFTC and in Europe, legislative bodies are considering a tax on all financial transactions. In the past, efforts to implement a transaction tax or user

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fee have not been successful. The implementation of additional costs to use our markets may discourage institutions and individuals from using our products to manage their risks which could adversely impact our trading volumes, revenues and profits and may also adversely impact our ability to compete on an international level. A transaction tax or user fee in the U.S. may also cause market participants to transition and/or increase their derivatives trading in jurisdictions outside the U.S. which do not necessarily impose a comparable cost at this time.

In addition, the U.S. Congress may propose to eliminate the favorable 60/40 tax treatment for futures. The current tax treatment for futures trading allows certain traders to pay a blend of taxes on their gains and losses from trading futures and options with 60% at capital gains rates and 40% at ordinary tax rates. Any repeal of 60-40 tax treatment would impose a substantial increase in tax rates applicable to certain individuals who are most responsible for creating liquid and efficient markets.

Employees

As of December 31, 2011, we had approximately 2,740 employees. We consider relations with our employees to be good. The following are our executive officers, including a description of their business experience over the last five years.

Executive Officers

Ages are as of February 1, 2012.

Terrence A. Duffy, 53

Mr. Duffy has served as our Executive Chairman since 2006, as our Chairman from 2002 until 2006 and has been a member of our board of directors since 1995. He also has served as President of TDA Trading, Inc. from 1981 to 2002 and has been a member of our CME exchange since 1981.

Craig S. Donohue, 50

Mr. Donohue has served as Chief Executive Officer and a member of our board of directors since 2004. Mr. Donohue joined us in 1989 and since then has held various positions of increasing responsibility within the organization including Managing Director and Chief Administrative Officer; Managing Director, Business Development and Corporate/Legal Affairs of CME; and Senior Vice President and General Counsel. Mr. Donohue also serves as our representative on the board of directors of BM&FBOVESPA.

Kathleen M. Cronin, 48

Ms. Cronin has served as our Managing Director, General Counsel and Corporate Secretary since 2003. Previously she served as Corporate Secretary and Acting General Counsel from 2002 through 2003. Prior to joining us, Ms. Cronin was a corporate attorney at Skadden, Arps, Slate, Meagher & Flom from 1989 through 1995 and from 1997 through 2002.

Bryan T. Durkin, 51

Mr. Durkin assumed the position of Managing Director, Products and Services in addition to his role as our Chief Operating Officer in 2010. Mr. Durkin has served as our Managing Director and Chief Operating Officer since 2007. Mr. Durkin joined us in connection with the CBOT merger and he previously held a variety of leadership roles with CBOT from 1982 to 2007, most recently as Executive Vice President and Chief Operating Officer.

Phupinder S. Gill, 51

Mr. Gill has served as our President since 2007. Previously he served as President and Chief Operating Officer since 2004. Mr. Gill joined us in 1988 and has held various positions of increasing responsibility within the organization, including Managing Director and President of CME Clearing and GFX Corporation. Mr. Gill also serves as our representative on the boards of Bursa Malaysia Derivatives and Bolsa Mexicana de Valores.

Julie Holzrichter, 43

Ms. Holzrichter has served as Managing Director, Global Operations since 2007. Ms. Holzrichter rejoined us in 2006 as our Managing Director, CME Globex Services and Technology Integration. Ms. Holzrichter previously held positions of increasing responsibility in our organization from 1986 to 2003 in trading operations.

Kevin Kometer, 47

Mr. Kometer has served as Managing Director and Chief Information Officer since 2008. He previously served as Managing Director and Deputy Chief Information Officer from 2007 to 2008. Since joining the company most recently in 1998, he has held senior leadership positions in the Technology Division, including Managing Director, Trading Execution Systems and Director, Advanced Technology. Mr. Kometer was also with the company from 1994 to 1996.

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James E. Parisi, 47
Mr. Parisi has served as our Chief Financial Officer and Managing Director, Finance and Corporate Development since 2010. He has held the role of Managing Director and Chief Financial Officer since 2004. Mr. Parisi joined us in 1988 and has held positions of increasing responsibility within the organization, including Managing Director & Treasurer and Director, Planning & Finance.
Laurent Paulhac, 42
Mr. Paulhac has served as Managing Director, OTC Products and Services since 2009. Prior to joining the company, Mr. Paulhac most recently served as Chief Executive Officer of CMA from 2005 to 2009. CMA was acquired by us in 2008.
James V. Pieper, 45
Mr. Pieper has served as our Managing Director and Chief Accounting Officer since 2010. Previously, Mr. Pieper served as Director and Controller since 2006 and as Associate Director and Assistant Controller from 2004 to 2006.
Hilda Harris Piell, 44
Ms. Piell has served as Managing Director and Chief Human Resources Officer since 2007. Previously she served as Managing Director and Senior Associate General Counsel, as Director and Associate General Counsel and as Associate Director and Assistant General Counsel since joining us in 2000.
John W. Pietrowicz, 47
Mr. Pietrowicz has served as our Managing Director, Business Development and Corporate Finance since 2010. Mr. Pietrowicz joined us in 2003 and since then has held various positions of increasing responsibility, including his most recent position of Managing Director and Deputy Chief Financial Officer from 2009 to 2010 and Managing Director, Corporate Finance and Treasury from 2006 to 2009.
Derek Sammann, 43
Mr. Sammann has served as Managing Director, Foreign Exchange and Interest Rate Products since 2010. He previously served as Managing Director, Financial Products and Services since 2009 and Managing Director, Global Head of Foreign Exchange Products since joining us in 2006. Prior to joining us, Mr. Sammann served as Managing Director, Global Head of FX Options and Structured Products at Calyon Corporate and Investment Bank in London from 1997 to 2006.
Kimberly S. Taylor, 50
Ms. Taylor has served as President, CME Clearing since 2004 and as Managing Director, Risk Management in the Clearing House Division, from 1998 to 2003. Ms. Taylor has held a variety of positions in the Clearing House, including Vice President and Senior Director. She joined us in 1989.
Kendal Vroman, 40
Mr. Vroman has served as our Managing Director, Commodity Products, OTC Services & Information Products since 2010. Mr. Vroman previously served as Managing Director and Chief Corporate Development Officer from 2008 to 2010. Mr. Vroman joined us in 2001 and since then has held positions of increasing responsibility, including most recently as Managing Director, Corporate Development and Managing Director, Information and Technology Services.
Scot E. Warren, 48
Mr. Warren has served as our Managing Director, Equity Index Products and Index Services since 2010. Mr. Warren previously served as our Managing Director, Equity Products since joining us in 2007. Prior to that, Mr. Warren worked for Goldman Sachs as its Vice President, Manager Trading and Business Analysis Team. Prior to Goldman Sachs, Mr. Warren managed equity and option execution and clearing businesses for ABN Amro in Chicago and was a Senior Consultant for Arthur Andersen & Co. for financial services firms.

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FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Due to the nature of its business, CME Group has not historically tracked revenues based upon geographic location. We do, however, track trading volume generated outside of traditional U.S. trading hours and through our international telecommunication hubs. Our customers can directly access our exchanges throughout the world.

The following table shows the percentage of our total trading volume on our Globex electronic trading platform generated during non-U.S. hours and through our international hubs.

	2011	2010	2009
Trading during non-U.S. hours	13 %	13 %	9 %
Trading through telecommunication hubs	7 %	8 %	7 %

AVAILABLE INFORMATION

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

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Annual Report on Form 10-K, you should carefully consider the factors discussed below, 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.

RISKS RELATING TO OUR INDUSTRY

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

Our revenue is substantially dependent on the trading volume in our markets. Our trading volume is directly affected by U.S. domestic and international factors that are beyond our control, including:

- economic, political and geopolitical market conditions;
- natural disasters and other catastrophes;
- broad trends in industry and finance;
- changes in price levels, trading volumes and volatility in the derivatives markets and in underlying equity, foreign exchange, interest rate and commodity markets;
- changes in global or regional demand or supply shifts in commodities underlying our products;
- legislative and regulatory changes, including any direct or indirect restrictions on or increased costs associated with trading in our markets;
- competition;
- changes in government monetary policies;
- availability of capital to our market participants;
- levels of assets under management;
- consolidation in our customer base and within our industry; and
- inflation.

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Any one or more of these factors may contribute to reduced activity in our markets. Historically, our trading volume has tended to increase during periods of heightened uncertainty due to increased hedging activity and the increased need to manage the risks associated with, or speculate on, volatility in the U.S. equity markets, fluctuations in interest rates and price changes in the foreign exchange, commodity and other markets. However, as evidenced by our performance during the economic volatility that began in 2008, in times of extreme uncertainty we may experience decreased volume due to factors such as decreased risk exposure, lower interest rates and lack of available capital. During 2011, the U.S. economy remained constrained due to the inability of the housing market to gain any traction, the fiscal drag from budget reduction programs at all levels of government, and the continued uncertainty about future tax and regulatory policies impacting spending and investments of consumers and corporations. Europe also continues to face uncertainty with some euro-zone countries in recession. As a result, period-to-period comparisons of our financial results are not necessarily meaningful. This trend as well as future economic uncertainty may result in continued decreased trading volume and a more difficult business environment for us. Material decreases in trading volume would have a material adverse effect on our financial condition and operating results.

We operate in a heavily regulated environment that imposes significant costs and competitive burdens on our business and such environment is currently undergoing significant reform.

Our business has been extensively regulated by the CFTC. In response to the economic crisis, the Dodd-Frank Act was signed into law in 2010. This legislation is a comprehensive banking and financial services reform package that includes significant changes to the oversight of the derivatives markets, both over-the-counter and exchange traded. In accordance with Dodd-Frank, the CFTC's authority has been significantly expanded to include over-the-counter derivatives.

Since adoption, the CFTC, the SEC, the Department of Treasury and other regulators have engaged in extensive rulemaking to implement the legislation. CME Group and others in the industry continue to actively participate in the rulemaking process with the goal that the final regulations serve the public interest, foster competition and innovation and do not place the U.S. financial services sector at a competitive disadvantage in our evolving global financial markets. During 2011, several regulations implementing Dodd-Frank were finalized, including rules relating to mandatory clearing and the operation of a clearing house, anti-manipulation, large trader reporting, position limits and the definition of agricultural commodity. A significant portion of the Act, however, remains subject to further rulemaking and such final regulations could include provisions that could negatively impact our business, including changes to Core Principle 9 and the implementation of the position limit rules. Additionally, as a result of the MF Global bankruptcy and the shortfall in segregated customer funds, the futures industry, its self-regulatory model and the segregation regime are under scrutiny by the CFTC and Congress. Several Congressional hearings have been held to evaluate the situation and various policy suggestions have been made to ensure the protection of customer segregated funds. The adoption of such legislation likely will increase our costs of providing clearing services.

As a global company with operations around the world, we are also subject to the laws and regulations in the locations in which we do business. We cannot assure you that we and/or our directors, officers, employees and affiliates will be able to fully comply with these rules and regulations. We also cannot assure you that we will not be subject to claims or actions by any of these regulatory agencies. Our subsidiaries, CME Clearing Europe and CME Marketing Europe, are also subject to the supervision and oversight of the FSA. The regulatory environment in the United Kingdom and the European Union is undergoing significant reforms in connection with the oversight of the financial services industry. In response to the economic crisis, a number of financial service legislations covering issues similar to those included in Dodd-Frank have also been proposed in Europe.

To the extent the regulatory environment following the implementation of Dodd-Frank and other financial reform regulations is less beneficial for us or our customers, our business, financial condition and operating results could be negatively affected.

If we fail to comply with applicable laws, rules or regulations, we may be subject to censure, fines, cease-and-desist orders, suspension of our business, removal of personnel or other sanctions, including revocation of our designations as a contract market and derivatives clearing organization.

In the United States and Europe, there are several proposals to tax financial transactions or to assess user fees for market participants. For example, in the United States, there is a discussion of assessing a user fee to fund the CFTC and in Europe, legislative bodies are considering a tax on all financial transactions. In the past, efforts to implement a transaction tax or user fee have not been successful. The implementation of additional costs to use our markets may discourage institutions and individuals from using our products to manage their risks which could adversely impact our trading volumes, revenues and profits and may also adversely impact our ability to compete on an international level. A transaction tax or user fee in the U.S. may also cause market participants to transition and/or increase their derivatives trading in jurisdictions outside the U.S. which do not necessarily impose a comparable cost at this time.

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In addition, the U.S. Congress may propose to eliminate the favorable 60/40 tax treatment for futures. The current tax treatment for futures trading allows certain traders to pay a blend of taxes on their gains and losses from trading futures and options with 60% at capital gains rates and 40% at ordinary tax rates. Any repeal of 60-40 tax treatment would impose a substantial increase in tax rates applicable to certain individuals who are most responsible for creating liquid and efficient markets.

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

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

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

The industry in which we operate is highly competitive and we expect competition to continue to intensify, especially in light of the implementation of Dodd-Frank and other reforms of the financial services industry. For example, Dodd-Frank provides for central clearing of “clearable” over-the-counter swaps and requires that swaps that are cleared must be traded on exchanges or swap execution facilities, unless no exchange or swap execution facility makes the swap available for clearing. While these new requirements create opportunities for us to expand our over-the-counter business, a number of market participants and other exchanges have developed, and likely will develop in the future, competing platforms and products.

We encounter competition in all aspects of our business, including from entities having substantially greater capital and resources and offering a wider range of products and services and some operating under a different and possibly less stringent regulatory regime. We face competition from other futures, securities and securities option exchanges; over-the-counter markets; clearing organizations; consortia formed by our members and large market participants; alternative trade execution facilities; technology firms, including market data distributors and electronic trading system developers; and others.

Our industry has continued to experience significant consolidation efforts. Many of these recent efforts have failed due to lack of shareholder support or regulatory issues, including the NYSE Euronext/Deutsche Bourse proposed merger; the London Stock Exchange's bid for the TMX Group and the Singapore Stock Exchange's proposed acquisition of the Australian Stock Exchange. At the end of 2011, there were approximately 60 futures exchanges located in approximately 30 countries. We expect industry participants to continue to look for ways to grow their business despite the challenging regulatory environment and other exchanges may become the target of future consolidation efforts.

Among our key competitors in our exchange-traded business are NYPC and ELX in our interest rate product line and ICE in our agricultural commodities, currency, equity index and energy products. In early 2012, NYSE Liffe U.S. announced it had secured an exclusive license to launch futures contracts based on the Depository Trust and Clearing Corporation's proprietary general collateral finance repo index which will compete with our interest rate products. Our over-the-counter business also competes with LCH.Clearnet for our interest rate swaps and ICE for our credit default swaps. Newer entrants into our industry may further increase competitive pressure on us.

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

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their business strategies more quickly and efficiently than we can. In addition, our competitors may:

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

If our products, markets and services are not competitive, our business, financial condition and operating results will be materially harmed.

A decline in our fees or any loss of customers could lower our revenues, which would adversely affect our profitability.

Changes in regulations as a result of the implementation of the Dodd-Frank Act and other restructuring of the regulation of the global financial markets, regulations stemming from the MF Global bankruptcy or otherwise, may adversely impact our ability to compete, especially on a global basis.

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

The success of our business depends, in part, on our ability to maintain and increase our trading volume. To do so, we must maintain and expand our product offerings, our customer base and our trade execution facilities. Our success also depends on our ability to offer competitive prices and services in an increasingly price sensitive business. We cannot assure you that we will be able to continue to expand our product lines, or that we will be able to retain our current customers or attract new customers. 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% of our clearing and transaction fees revenue for 2011. 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. For example, in connection with the bankruptcy of MF Global, we successfully transferred all of the more than 30,000 MF Global customer accounts to other futures commission merchants. Additionally, from time to time, certain customers may represent a significant portion of the open interest in our individual product lines or contracts. If we fail to maintain our trading volume; expand our product offerings or execution facilities; or we lose a substantial number of our current customers, or a subset of customers representing a significant percentage of trading volume in a particular product line; or are unable to attract new customers, our business and revenues will be adversely affected. The shortfall in customer segregated funds at MF Global may have an impact on the overall confidence in the futures markets which could have a negative impact on trading volume. Furthermore, declines in trading volume due to loss of customers may negatively impact market liquidity, which could lead to further loss of trading volume.

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

Many aspects of our business involve substantial litigation risks. While we generally are protected by our rules limiting liability for system failures and certain forms of negligence and by statutory limits on private causes of actions in cases where we have not behaved in bad faith, we could be exposed to substantial liability under federal and state laws and court decisions, as well as rules and regulations promulgated by the SEC and the CFTC. These risks include, among others, potential liability from disputes over terms of a trade, the claim that a system failure or delay caused monetary losses to a customer, that we entered into an unauthorized transaction or that we provided materially false or misleading statements in connection with a transaction. Dissatisfied customers frequently make claims regarding quality of trade execution, improperly settled trades, mismanagement or even fraud against their service providers. We may become subject to these claims as a result of failures or malfunctions of our systems and services we provide. For example, we served as the designated self regulatory organization for MF Global. There are ongoing investigations by the Department of Justice, the FBI, the CFTC, and the SEC into the events surrounding the

MF Global bankruptcy, including efforts to locate the missing segregated customer property and determining which individuals and entities may have civil or criminal liability for the shortfall. We continue to believe that we acted appropriately and that our actions do not give rise to liability. We have been named as a party to a number of lawsuits in connection with the MF Global matter which we expect to be consolidated. There is no guarantee that we will not become the subject of additional litigation relating to the matter or that we will be successful in defending against these claims or any other action relating to MF Global or any matter brought in the future. We could incur significant legal expenses defending claims, even those without merit. In addition, an adverse resolution of any future lawsuit or claim against us could have a material adverse effect on our business and our reputation.

Our role in the global marketplace may place us at greater risk than other companies for a cyber attack and other cyber security risks. Our networks and those of our third party service providers may be vulnerable to security risks, which could result in wrongful use of our information or cause interruptions in our operations that cause us to lose customers and trading volume and result in significant liabilities. We could also be required to incur significant expense to protect our systems.

We expect the secure transmission of confidential information over public networks to continue to be a critical element of our operations. Our networks and those of our third party service providers and our customers may be vulnerable to unauthorized access, computer viruses and other security problems, including attacks from cyber criminals. Recently, groups have targeted the financial services industry as part of their protest against the perceived lack of regulation of the financial sector and economic inequality, including calls to their supporters to launch cyber attacks on numerous financial institutions which in some cases have resulted in brief outages to their external corporate web sites. Additionally, in 2010, a virus impacted email systems around the world, including our system. While we have no evidence at this time that we are a specific target of a cyber attack, our role in the global marketplace places us at greater risk than other companies.

Additionally, our role as a leading derivatives marketplace and the operation of our CME Globex electronic trading platform may place us at greater risk for misappropriation of our intellectual property. In September 2011, a former employee of CME Group was charged with two counts of theft of trade secrets in an indictment returned by a federal grand jury. We do not believe that any customer information, trade data or required regulatory information was compromised in this incident and we have no evidence that the trade secrets were distributed in connection with this matter. Other persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations.

While we continue to employ resources to monitor the environment and protect our infrastructure against security breaches and misappropriation of our intellectual property assets, these measures may prove insufficient depending upon the attack or threat posed, which could result in system failures and delays that could cause us to lose customers, experience lower trading volume, incur significant liabilities or have a negative impact on our competitive advantage.

We may be at greater risk from terrorism than other companies.

We may be more likely than other companies to be a direct target of, or an indirect casualty of, attacks by terrorists or terrorist organizations.

It is impossible to predict the likelihood or impact of any terrorist attack on the derivatives industry generally or on our business. For example, the September 11, 2001 terrorist attack on the World Trade Center resulted in the closing of NYMEX's trading and clearing operations for four business days and rendered its backup data and recovery center inoperable. While we have undertaken significant measures to develop business continuity plans and to establish backup sites, in the event of an attack or a threat of an attack, these security measures and contingency plans may be inadequate to prevent significant disruptions in our business, technology or access to the infrastructure necessary to maintain our business. Damage to our facilities due to terrorist attacks may be significantly in excess of any amount of insurance received, or we may not be able to insure against such damage at a reasonable price or at all. The threat of terrorist attacks may also negatively affect our ability to attract and retain employees. Any of these events could have a material adverse effect on our business, financial condition and operating results.

RISKS RELATING TO OUR BUSINESS

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

The future success of our business depends in large part on our ability to create interactive electronic marketplaces in a wide range of derivatives products that have the required functionality, performance, capacity, reliability and speed to attract and retain customers. A significant portion of our overall volume is generated through electronic trading on our CME Globex electronic platform.

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

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

If we do not successfully enhance our electronic trading platform, or our current or potential customers do not accept it, our revenues and profits will be adversely affected. Additionally, we rely on our customers' ability to have the necessary back office functionality to support our new products and our trading and clearing functionality. To the extent our customers are not prepared and/or lack the resources or infrastructure, the success of our new initiatives may be compromised.

In addition, if we are unable to develop our electronic trading systems to include other products and markets, or if our electronic trading systems do not have the required functionality, performance, capacity, reliability and speed, we may not be able to compete successfully in an environment that is increasingly dominated by electronic trading.

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

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

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

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

From time to time, we have experienced system errors and failures that have resulted in some customers being unable to connect to our electronic trading platform, or that resulted in erroneous reporting, such as transactions that were not authorized by any customer or reporting of filled orders as cancelled. For example in 2010, an employee error resulted in errant trades inadvertently being placed into an active market environment which resulted in liability to us of approximately $4.7 million. We cannot assure you that if we experience system errors or failures in the future that they will not have a material impact on our business. Any such system failures that cause an interruption in service or decrease our responsiveness could impair our reputation, damage our brand name or have a material adverse effect on our business, financial condition and operating results.

Our status as a CFTC registrant generally requires that our trade execution and communications systems be able to handle anticipated present and future peak trading volume. Heavy use of our computer systems during peak trading times or at times of unusual market volatility could cause our systems to operate slowly or even to fail for periods of time. We constantly monitor system loads and performance, and regularly implement system upgrades to handle estimated increases in trading volume. However, we cannot assure you that our estimates of future trading volume and order messaging traffic will be accurate or that our systems will always be able to accommodate actual trading volume and order messaging traffic without failure or degradation of performance. Increased CME Globex trading volume and order messaging traffic may result in connectivity problems or erroneous reports that may affect users of the platform. System failure or degradation could lead our customers to file formal complaints with industry regulatory organizations, to file lawsuits against us or to cease doing business with us, or could lead the CFTC or other regulators to initiate inquiries or proceedings for failure to comply with applicable laws and regulations.

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

We, as well as many of our customers, depend on third party suppliers and service providers for a number of services that are important. An interruption or cessation of an important supply or service by any third party could have a material adverse effect on our business, including revenues derived from our customers' trading activity.

We depend on a number of suppliers, such as banking, clearing and settlement organizations, telephone companies, online service providers, data processors, and software and hardware vendors for elements of our trading, clearing and other systems, as well as communications and networking equipment, computer hardware and software and related support and maintenance.

Many of our customers rely on third parties, such as independent software vendors, to provide them with front-end systems to access our CME Globex platform and other back office systems for their trade processing and risk management needs. While these service providers have undertaken to keep current with our enhancements and changes to our interfaces and functionality, we cannot guarantee that they will continue to make the necessary monetary and time investments to keep up with our changes.

To the extent any of our service providers or the organizations that provide services to our customers in connection with their trading activities cease to provide these services in an efficient, cost-effective manner or fail to adequately expand their services to meet our needs and the needs of our customers, we could experience decreased trading volume, lower revenues and higher costs.

Our clearing house operations expose us to substantial credit risk of third parties and the level of soundness of our clearing firms could adversely affect us.

Our clearing house operations expose us to many different industries and counterparties, and we routinely guarantee transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional customers. As a result of the financial crisis that began in 2008, many financial institutions required additional capital infusions, merged with larger and stronger institutions, became bank holding companies that are regulated by the Federal Reserve Bank and, in some cases, failed. For example, during 2008, The Bear Stearns Companies, Inc., Lehman Brothers Holdings Inc. and American International Group, Inc., all of which were parent companies of clearing firms of our exchange, experienced significant financial writedowns and in some cases failed. In October 2011, MF Global, one of our largest clearing firms, was placed into liquidation. There are ongoing investigations by the Department of Justice, the FBI, the CFTC, and the SEC into the events surrounding the MF Global bankruptcy, including efforts to locate the missing segregated customer property and determining which individuals and entities may have civil or criminal liability for the shortfall.

As part of our overall growth initiatives, we have expanded our clearing services to the over-the-counter market in addition to standard futures and options on futures products, including through CME ClearPort and our credit default and interest rate swap clearing initiatives. The process for deriving margins and financial safeguards for over-the-counter products is different and, in part, seeks to assess and capture different risks than our historical practices applied to our futures and options on futures products. Although we believe that we have carefully analyzed the process for setting margins and our financial safeguards for over-the-counter products, there is no guarantee that our procedures will adequately protect market participants from the unique risks of these products.

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In 2011, CME Clearing Europe was launched. While we have hired experienced management to oversee the operations of CME Clearing Europe, as an organization we have limited experience operating a clearing house outside of the United States.

A substantial part of our working capital may be at risk if a clearing firm defaults on its obligations to the clearing house and its margin and security deposits are insufficient to meet its obligations. Although we have policies and procedures to help ensure that our clearing firms can satisfy their obligations, these policies and procedures may not succeed in detecting problems or preventing defaults. We also have in place various measures intended to enable us to cure any default and maintain liquidity. However, we cannot assure you that these measures will be sufficient to protect market participants from a default or that we will not be adversely affected in the event of a significant default. Following the MF Global bankruptcy, we established a $100 million fund designed to provide further protection of customer segregated funds for eligible participating U.S. family farmers and ranchers who hedge their business using our products for losses resulting from the future insolvency of a clearing member or other market participant.

The required capital and posted collateral of our clearing firms may lose value given the volatility of the market.

To become a clearing member, a firm must meet certain minimum capital requirements and must deposit a certain amount of funds to meet performance bond and guaranty fund requirements with our clearing house as collateral for their trading activity. We accept a variety of collateral to satisfy these requirements, including cash, regulated money market mutual funds, U.S. Treasury securities, U.S. Government Agency securities, letters of credit, gold, equities and foreign sovereign debt. Given the level of market volatility, there is no guarantee that these investments will continue to maintain their value. To the extent a clearing firm was not in compliance with these requirements, it would be required to acquire additional funds, decrease its proprietary trading activity and/or transfer customer accounts to another clearing firm. These actions could result in a decrease in trading activity in our products.

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

We sell our market data to individuals and organizations that use our markets or monitor general economic conditions. Revenues from our market data and information services totaled $427.7 million and $395.1 million, representing 13% of our total revenues, during the years ended December 31, 2011 and 2010, respectively. A decrease in overall trading volume may also lead to a decreased demand for our market data from the market data vendors. For example, in both 2011 and 2010 we experienced a decrease in the average number of market data devices due to the continued economic uncertainty, continued high unemployment levels in the financial services sector and aggressive cost cutting initiatives at customer firms. Additionally, electronic trading systems do not usually impose separate exchange fees for supplying market data to trading terminals. If we do not separately charge for market data supplied to trading terminals, and trading terminals with access to our markets become widely available, we could lose market data fees from those who have access to trading terminals. We will experience a reduction in our revenues if we are unable to recover that lost market data revenue through terminal usage fees or transaction fees.

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

We continue to focus on strategic initiatives to grow our business, including our efforts to serve the over-the-counter market as discussed in the following risk factor and to distribute our products and services on a global basis. There is no guarantee that our efforts will be successful. Continued growth will require additional investment in personnel, facilities, information technology infrastructure and financial and management systems and controls and may place a significant strain on our management and resources. For example, if we encounter limited resources, we may be required to increase our expenses to obtain the necessary resources, defer existing initiatives or not pursue certain opportunities. We may not be successful in implementing all of the processes that are necessary to support our growth organically or, as described below, through acquisitions, investments or other strategic alliances. Unless our growth results in an increase in our revenues that is proportionate to the increase in our costs associated with our growth, our future profitability could be adversely affected, and we may have to incur significant expenditures to address the additional operational and control requirements as a result of our growth.

There is no guarantee that our over-the-counter initiatives will be successful.

Our goal is to provide a comprehensive multi-asset class clearing solution to the market for maximum operational ease and the capital efficiency that comes with connecting to a single clearing house. We offer clearing services for cleared over-the-counter derivatives, including credit default swaps and interest rate swaps. Our strategy also includes extending our over-the-counter services into other assets classes, as well as enhancing our CME ClearPort functionality to support additional products. While we believe the implementation of Dodd-Frank creates new opportunities for us to expand our over-the-counter offerings, the current regulatory environment for trading and clearing these products remains uncertain. We cannot be certain that we will be able to operate profitably under the new legislation. For example, provisions within Dodd-Frank include changes to the CFTC's

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core principles, specifically Core Principal 9, which could require us to make modifications to the manner in which certain of our contracts trade and/or require that such products be de-listed as futures and re-listed as swaps. In addition, a number of market participants and exchanges have developed competing platforms and products, including ICE's offering for credit default swaps. We cannot be certain that we will be able to compete effectively or that our initiatives will be successful.

We intend to continue to explore acquisitions, investments and other strategic alliances. We may not be successful in identifying opportunities or in integrating the acquired businesses. Any such transaction may not produce the results we anticipate which could adversely affect our business and our stock price.

We intend to continue to explore and pursue acquisitions and other strategic opportunities to strengthen our business and grow our company. We may make acquisitions or investments or enter into strategic partnerships, joint ventures and other alliances. The market for such transactions is highly competitive, especially in light of the increasing consolidation in our industry. As a result, we may be unable to identify strategic opportunities or we may be unable to negotiate or finance future transactions on terms favorable to us. To the extent the trend of consolidation in our industry continues, we may encounter increased difficulties in identifying growth opportunities. We may finance future transactions by issuing additional equity and/or debt. The issuance of additional equity in connection with any future transaction could be substantially dilutive to our existing shareholders. The issuance of additional debt could increase our leverage substantially. The process of integration may also produce unforeseen regulatory and operating difficulties and expenditures and may divert the attention of management from the ongoing operation of our business. To the extent we enter into joint ventures and alliances, we may experience difficulties in the development and expansion of the business of any newly formed ventures, in the exercise of influence over the activities of any ventures in which we do not have a controlling interest as well as encounter potential conflicts with our joint venture or alliance partners. We may not realize the anticipated growth and other benefits from strategic growth initiatives we have made or will make in the future which may have an adverse impact on our financial condition and operating results. We may also be required to take an impairment charge in our financial statements relating to our acquisitions and/or investments which could negatively impact our stock price.

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

We plan to continue to expand our operations internationally, including through CME Clearing Europe, directly placing order entry terminals with customers outside the United States and by relying on distribution systems established by our current and future strategic alliance partners. We face certain risks inherent in doing business in international markets, particularly in the regulated derivatives exchange business. These risks include:

- restrictions on the use of trading terminals or the contracts that may be traded;
- becoming subject to extensive regulations and oversight, tariffs and other trade barriers;
- difficulties in staffing and managing foreign operations;
- general economic and political conditions in the countries from which our markets are accessed, which may have an adverse effect on our volume from those countries; and
- potentially adverse tax consequences.

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

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

In the normal course of our business, we discuss matters with our regulators raised during regulatory examinations or we may otherwise become subject to their inquiry and oversight. The CFTC has broad enforcement powers to censure, fine, issue cease-and-desist orders, prohibit us from engaging in some of our businesses or suspend or revoke our designation as a contract market or the registration of any of our officers or employees who violate applicable laws or regulations. Our ability to comply with applicable laws and rules is largely dependent on our establishment and maintenance of compliance, audit and reporting systems, as well as our ability to attract and retain qualified compliance and other risk management personnel. We face the risk of significant intervention by regulatory authorities, including extensive examination and surveillance activity. In the case of

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non-compliance or alleged non-compliance with applicable laws or regulations, we could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers, for damages, which can be significant. Any of these outcomes would adversely affect our reputation, financial condition and operating results. In extreme cases, these outcomes could adversely affect our ability to conduct our business.

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

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

There have been a number of highly publicized cases involving fraud or other misconduct by employees of financial services firms in recent years. Misconduct by our employees and agents, including employees of GFX, our wholly-owned subsidiary that engages primarily in proprietary trading in foreign exchange futures to generate liquidity, could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of customers or improper use or unauthorized disclosure of confidential information. Misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It is not always possible to deter misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Our employees and agents also may commit errors that could subject us to financial claims for negligence, as well as regulatory actions. For example, in 2010, an employee error resulted in errant trades inadvertently being placed into an active market environment which resulted in liability to us of approximately $4.7 million.

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

We own the rights to a large number of trademarks, service marks, domain names and trade names in the United States, Europe and other parts of the world. We have registered many of our most important trademarks in the United States and other countries. We hold the rights to a number of patents and have made a number of patent applications. Our patents cover match engine, trader user interface, trading floor support, market data, general technology and clearing house functionalities. We attempt to protect our intellectual property rights by relying on trademarks, copyright, database rights, trade secrets, restrictions on disclosure and other methods. Notwithstanding the precautions we take to protect our intellectual property rights, it is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization or otherwise infringe on our rights. For example, in September 2011, a former employee of CME Group was charged with two counts of theft of trade secrets in an indictment returned by a federal grand jury. In addition, in the future, we may have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources, either of which could adversely affect our business.

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

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

In general, if one or more of our products or services were to infringe on patents held by others, we may be required to stop developing or marketing the products or services, to obtain licenses to develop and market the services from the holders of the patents or to redesign the products or services in such a way as to avoid infringing on the patent claims.

We cannot assess the extent to which we may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether we would be able to obtain such licenses on commercially reasonable terms. If we were unable to obtain such licenses, we may not be able to redesign our products or services to avoid infringement, which could materially adversely affect our business, financial condition and operating results.

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RISKS RELATING TO AN INVESTMENT IN OUR CLASS A COMMON STOCK

Our indebtedness could adversely affect our financial condition and operations and prevent us from fulfilling our debt service obligations. We may still be able to incur more debt, intensifying these risks.

As of December 31, 2011, we had approximately $2.1 billion of total indebtedness and we had excess borrowing capacity for general corporate purposes under our existing facilities of approximately $1.0 billion.

Our indebtedness could have important consequences. For example, our indebtedness may:

- require us to dedicate a significant portion of our cash flow from operations to payments on our debt, thereby reducing the availability of cash flow to fund capital expenditures, to pursue acquisitions or investments, to pay dividends and for general corporate purposes;
- increase our vulnerability to general adverse economic conditions;
- limit our flexibility in planning for, or reacting to, changes in or challenges relating to our business and industry; and
- place us at a competitive disadvantage against any less leveraged competitors.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects, and ability to satisfy our debt service obligations. In addition, the agreements governing our outstanding indebtedness do not significantly limit our ability to incur additional indebtedness, which could increase the risks described above to the extent that we incur additional debt.

Any reduction in our credit rating could increase the cost of our funding from the capital markets.

Our long-term debt is currently rated investment grade by two of the major rating agencies. These rating agencies regularly evaluate us. Their ratings of our long-term debt are based on a number of factors, including our financial strength as well as factors not entirely within our control, such as conditions affecting the financial services industry generally. In February 2012, S&P lowered our rating to AA- from AA with a negative outlook. The rating actions stemmed from our limited financial support of trading customers through our guarantee provided to the MF Global bankruptcy trustee and our new protection fund for certain farmers and ranchers using our products to hedge. The negative outlook was based upon its view of the potential legal and reputational fall-out from the MF Global bankruptcy. In light of the difficulties in the financial services industry and the financial markets over the last few years and the fall-out from MF Global, there can be no assurance that we will maintain our current ratings. Our failure to maintain those ratings could adversely affect the cost and other terms upon which we are able to obtain funding and increase our cost of capital.

Our investment in BM&FBOVESPA subjects us to investment and currency risk.

We own an interest in BM&FBOVESPA representing approximately 5% of its outstanding shares which had a fair value of $527.7 million as of December 31, 2011. As an exchange, its ability to maintain or expand its trading volume and operate its business is subject to the same types of risks to which we are subject. Additionally, its stock is valued in Brazilian real, which subjects us to currency risk. There is no guarantee that our investment in BM&FBOVESPA will be profitable.

Any impairment of our goodwill and other intangible assets or investments may result in material, non-cash writedowns and could have a material adverse impact on our results of operations and shareholders' equity.

In connection with our acquisitions and investments, including our mergers with CBOT Holdings and NYMEX Holdings, we have recorded goodwill and identifiable intangible assets. We assess goodwill and intangible assets for impairment by applying a fair value test looking at historical performance, capital requirements and projected cash flows on an annual basis or more frequently if indicators of impairment arise. In the past we have recorded impairment charges in connection with some of our investments including our investment in BM&FBOVESPA. We may continue to experience future events that result in impairments. The risk of impairment losses may increase to the extent our market capitalization and earnings decline. An impairment of the value of our existing goodwill and intangible assets could have a significant negative impact on our future operating results and could have an adverse impact on our ability to satisfy the financial ratios or other covenants under our existing or future debt agreements.

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

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

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Our average rate per contract is subject to fluctuation due to a number of factors. As a result, you will not be able to rely on our average rate per contract in any particular period as an indication of our future average rate per contract.
Our average rate per contract, which impacts our operating results, is subject to fluctuation due to shifts in the mix of products traded, the trading venue and the mix of customers (whether the customer receives member or non-member fees or participates in one of our various incentive programs) and the impact of our tiered pricing structure. For example, we earn a higher rate per contract for trades executed electronically than for trades executed on the trading floor. In addition, our members and participants in our various incentive programs generally are charged lower fees than our non-member customers. Variation in each of these factors is difficult to predict and will have an impact on our average rate per contract in the particular period. Because of this fluctuation, you may not be able to rely on our average rate per contract in any particular period as an indication of our future average rate per contract. If we fail to meet securities analysts' expectations regarding our operating results, the price of our Class A common stock could decline substantially.
Our cost structure is largely fixed. If our revenues decline and we are unable to reduce our costs, our profitability will be adversely affected.
Our cost structure is largely fixed. We base our cost structure on historical and expected levels of demand for our products and services. If demand for our products and services and our resulting revenues decline, we may not be able to adjust our cost structure on a timely basis. In that event, our profitability will be adversely affected.
Twenty of our board members own trading rights or are officers or directors of firms who own trading rights on our exchanges. As members, these individuals may have interests that differ from or conflict with those of shareholders who are not also members. Our dependence on the trading and clearing activities of our members, combined with their rights to elect directors, may enable them to exert substantial influence over the operation of our business.
Twenty of our directors own or are officers or directors of firms who own trading rights on our exchange. We are dependent on the revenues from the trading and clearing activities of our members. In 2011, 80% of our trading volume was derived from our members. This dependence may give them substantial influence over how we operate our business.
Many of our members and clearing firms derive a substantial portion of their income from their trading or clearing activities on or through our exchanges. In addition, trading rights on our exchanges have substantial independent value. The amount of income that members derive from their trading, brokering and clearing activities and the value of their trading rights are, in part, dependent on the fees they are charged to trade, broker, clear and access our markets and the rules and structure of our markets. As a result, holders of our Class A common stock may not have the same economic interests as our members. In addition, our members may have differing interests among themselves depending on the roles they serve in our markets, their method of trading and the products they trade. Consequently, members may advocate that we enhance and protect their clearing and trading opportunities and the value of their trading privileges over their investment in our Class A common stock, if any.
The rights of our members, including the board representation rights of the members of our CME exchange to elect six directors and the rights described in the immediately following risk factor, could be used to influence how our business is changed or developed, including how we address competition and how we seek to grow our volume and revenue and enhance shareholder value.
Our members have been granted special rights, which protect their trading privileges, require that we maintain open outcry trading until volumes are not significant and, in the case of our Class B shareholders and CBOT members, provide them with special board representation.
Under the terms of the organizational documents of our exchanges, our members have certain rights that relate primarily to trading right protections, certain trading fee protections and certain membership benefit protections. Additionally, our Class B shareholders, who are members of our CME exchange, are also entitled to elect six directors to our board; even if their Class A share ownership interest is very small or non-existent. We are also required to include at least 10 CBOT directors (as defined in our bylaws) on our board until our 2012 annual meeting of shareholders and to submit changes to the rules and regulations of the CBOT exchange to the CBOT directors in advance for their review. In the event the CBOT directors determine in their sole discretion that a proposed rule change will materially impair the business of CBOT or the business opportunities of the holders of the CBOT

memberships, such change must be submitted to a committee comprised of three CBOT directors and two CME directors (as defined in our bylaws). In connection with these rights, our ability to take certain actions that we may deem to be in the best interests of the company and its shareholders, including actions relating to the operation of our open outcry trading facilities and certain pricing decisions, may be limited by the rights of our members.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our global headquarters are located in Chicago, Illinois at 20 South Wacker Drive. The following is a description of our key locations and facilities.

Location	Primary Use	Owned/Leased	Lease Expiration	Approximate Size (in square feet)[1]	
20 South Wacker Drive, Chicago, Illinois	Global headquarters and office space	Leased	2022[2]	490,000	
141 West Jackson Chicago, Illinois	Chicago trading floor and office space	Owned [3]	N/A	1,500,000	[4]
550 West Washington Chicago, Illinois	Office space	Leased	2023	225,000	
One North End New York, New York	New York trading floor and office space	Mixed[5]	2069	500,000	(6)
One New Change, London	Office space	Leased	2026	40,000	
Annex Data Center Chicagoland area	Business continuity	Leased	2014	100,000	
Remote Data Center Chicagoland area	Business continuity	Leased	2017	50,000	
Data Center 3 Chicagoland area	Business continuity and co-location	Owned	N/A	430,000	

(1) Size represents the amount of space leased by us unless otherwise noted.

(2) The initial lease expires in 2022 with two consecutive options to extend the term for seven and ten years, respectively.

(3) In June 2011, we announced that we are pursuing a sale and partial leaseback of the north and south buildings of this location.

(4) We occupy approximately 425,000 square feet of the 141 West Jackson complex, which includes space that is not subject to the proposed sale of the property.

(5) The One North End property is subject to a ground lease with the Battery Park City Authority for the site of our New York offices and trading facility. In accordance with the terms of the lease, we are deemed to lease the building and its improvements from the landlord. We do not make lease payments to the landlord related to the building and we receive the financial benefit of the rental income.

(6) We occupy approximately 350,000 square feet of the One North End Building.

We also lease other office space around the world and have also partnered with major global telecommunications carriers in connection with our telecommunications hubs whereby we place data cabinets within the carriers' existing secured data centers. We believe our facilities are adequate for our current operations and that additional space can be obtained if needed.

ITEM 3. LEGAL PROCEEDINGS

See "Legal Matters" in Note 13. Contingencies to the Consolidated Financial Statements beginning on page 82 for CME Group's legal proceedings disclosure which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Class A Common Stock

Our Class A common stock is currently listed on NASDAQ under the ticker symbol “CME.” As of February 15, 2012, there were approximately 3,342 holders of record of our Class A common stock.

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

2011	High	Low	2010	High	Low
First Quarter	$323.43	$279.58	First Quarter	$353.03	$265.75
Second Quarter	313.00	261.10	Second Quarter	347.50	280.78
Third Quarter	298.14	236.50	Third Quarter	289.72	234.50
Fourth Quarter	280.76	235.23	Fourth Quarter	328.00	255.62

Class B Common Stock

Our Class B common stock is not listed on a national securities exchange or traded in an organized over-the-counter market. Each class of our Class B common stock is associated with a membership in a specific division of our CME exchange. CME's rules provide exchange members with trading rights and the ability to use or lease these trading rights. Each share of our Class B common stock can be transferred only in connection with the transfer of the associated trading rights.

Class B shares and the associated trading rights are bought and sold or leased through our shareholder relations and membership services department. Although our Class B shareholders have special voting rights, because our Class B shares have the same equitable interest in our earnings and the same dividend payments as our Class A shares, we expect that the market price of our Class B common stock, if reported separately from the associated trading rights, would be determined by the value of our Class A common stock. As of February 15, 2012, there were approximately 1,716 holders of record of our Class B common stock.

Dividends

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

Record Date	Dividend per Share	Record Date	Dividend per Share
March 10, 2011	$ 1.40	March 10, 2010	$ 1.15
June 10, 2011	1.40	June 10, 2010	1.15
September 10, 2011	1.40	September 10, 2010	1.15
December 10, 2011	1.40	December 10, 2010	1.15

On February 1, 2012, our board approved a change in our annual dividend policy to increase the target from approximately 35% of the prior year's cash earnings to approximately 50% of the prior year's cash earnings. In accordance with this policy, we intend to continue to pay a regular quarterly dividend to our shareholders. On February 1, 2012, the board of directors declared a regular quarterly dividend of $2.23 per share. The decision to declare a dividend, however, remains within the discretion of our board of directors and may be affected by various factors, including our future earnings, financial condition, capital requirements, levels of indebtedness and other considerations our board of directors deems relevant. The board of directors also declared an additional, annual variable dividend of $3.00 per share. The amount of the annual variable dividend will be determined after the end of each year, and the level will increase or decrease from year to year based on operating results, potential merger and acquisition activity, and other forms of capital return including regular dividends and share buybacks during the prior year. Both dividends will be payable on March 26, 2012, to shareholders of record on March 9, 2012. Assuming no changes in the number of shares outstanding, the total first quarter dividend payment for both dividends will be approximately $345.8 million.

The indentures governing our floating and fixed rate notes, our 364-day clearing house credit facility for $3.0 billion and our new $1.0 billion multi-currency revolving senior credit facility entered into in 2011, do not contain specific covenants that

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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, which could indirectly affect the ability to pay dividends.

For example, under our new senior credit facility, we are required to remain in compliance with a consolidated net worth test, defined as our consolidated shareholders' equity as of September 30, 2010 after giving effect to actual share repurchases made and special dividends paid, but only up to the amount of such repurchases and dividends publicly announced and made or paid after September 30, 2010 (and in no event greater than $2.0 billion in the aggregate for such repurchases and dividends during the term of the agreement), multiplied by 0.65. In addition, our 364-day clearing house credit facility contains a requirement that CME remain in compliance with a consolidated tangible net worth test, defined as consolidated shareholder's equity less intangible assets (as defined in the agreement), of not less than $375.0 million.

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, including CME, in order to provide a portion of the funds which it uses to pay dividends to its shareholders.

CME Group and its subsidiaries are also required to comply with restrictions contained in the general corporation laws of their state of incorporation which could also limit its (or their) ability to declare and pay dividends.

Stock Repurchases

On May 9, 2011, the board of directors authorized a share buyback program of up to $750.0 million of Class A common stock over a 12-month period. During 2011, we purchased a total of 0.8 million shares at an average price of $272 per share.

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PERFORMANCE GRAPH

The following graph and table compares the cumulative five-year total return provided shareholders on our Class A common stock relative to the cumulative total returns of the S&P 500 index and our customized peer group. The peer group includes CBOE Holdings, Inc., IntercontinentalExchange, Inc., NYSE Euronext and The Nasdaq OMX Group Inc. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock, in the peer group and the S&P 500 index on December 31, 2006 and its relative performance is tracked through December 31, 2011.

The stock price performance included in this graph is not necessarily indicative of future stock price performance

	2007	2008	2009	2010	2011
CME Group Inc.	$135.37	$42.05	$69.09	$67.20	$51.96
S&P 500	105.49	66.46	84.05	96.71	98.75
Peer Group	122.62	46.44	48.92	56.31	55.99

Unregistered Sales of Equity Securities

In connection with our strategic partnership with BM&FBOVESPA, we issued shares to BM&FBOVESPA in two separate transactions resulting in their aggregate ownership of approximately 5% of our Class A common shares. The first transaction occurred on February 26, 2008 and involved the issuance of 1.2 million Class A shares valued at $631.4 million in exchange for our receipt of an equity stake of approximately 10% in the Brazilian Mercantile & Futures Exchange. Subsequent to this investment, the Brazilian Mercantile & Futures Exchange merged with Bovespa Holdings S.A. to become BM&FBOVESPA.

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On July 16, 2010, in connection with a definitive Share Purchase and Investor Rights Agreement, dated June 22, 2010, we issued to BM&FBOVESPA 2.2 million shares of our Class A common stock at a purchase price per share of $275.12 in cash, or approximately $607.0 million in the aggregate. The shares of our Class A common stock issued in these transactions were unregistered and were issued in reliance on Section 4(2) of the Securities Act. The shares are subject to transfer restrictions that expired in February 2012.

On November 27, 2009, as consideration for our acquisition of a 25% equity stake in Bursa Derivatives, we issued 76,427 shares of our Class A common stock to Bursa Malaysia Berhad, its parent company. The aggregate value of the transaction was $25.1 million. The shares of Class A common stock were issued in an unregistered transaction in reliance on Section 4(2) of the Securities Act and are subject to transfer restrictions for a period of four years with one fourth of the shares being released on an annual basis.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased[(1)]	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs[(2)] (in millions)
October 1 to October 31	42	$ 264.79	—	$529.6
November 1 to November 30	—	—	—	529.6
December 1 to December 31	1,108	241.56	—	529.6
Total	1,150		—	

(1) Shares purchased consist of an aggregate of 1,150 shares of Class A common stock surrendered to satisfy employee tax obligations upon the vesting of restricted stock.

(2) On May 9, 2011, the board of directors authorized a share buyback program of up to $750.0 million of Class A common stock over a 12-month period.

ITEM 6. SELECTED FINANCIAL DATA

On July 12, 2007, CBOT Holdings, Inc. (CBOT Holdings) merged with and into Chicago Mercantile Exchange Holdings Inc. (CME Holdings). At the time of this merger, the combined company was renamed CME Group Inc. (CME Group). On March 23, 2008, CME Group acquired Credit Market Analysis Ltd., a private company incorporated in the United Kingdom, and its wholly-owned subsidiaries (collectively, CMA). On August 22, 2008, NYMEX Holdings, Inc. (NYMEX Holdings) merged with CME Group. On March 18, 2010, the Board of Trade of the City of Chicago, Inc. (CBOT) acquired a 90% ownership interest in CME Group Index Services LLC (Index Services), a joint venture with Dow Jones & Company (Dow Jones).

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The following data includes the financial results of CBOT Holdings beginning July 13, 2007, the financial results of CMA beginning March 24, 2008, the financial results of NYMEX Holdings beginning August 23, 2008 and the financial results of Index Services beginning March 19, 2010.

	Year Ended or At December 31				
(in millions, except per share data)	2011	2010	2009	2008	2007
Income Statement Data:					
Total revenues	$3,280.6	$3,003.7	$2,612.8	$2,561.0	$1,756.1
Operating income	2,021.1	1,831.1	1,589.1	1,582.2	1,051.9
Non-operating income (expense)	(84.6)	(109.2)	(151.6)	(334.2)	43.9
Income before income taxes	1,936.5	1,721.9	1,437.5	1,248.0	1,095.8
Net income attributable to CME Group	1,812.3	951.4	825.8	715.5	658.5
Earnings per common share:					
Basic	$27.23	$14.35	$12.44	$12.18	$15.05
Diluted	27.15	14.31	12.41	12.13	14.93
Cash dividends per share	5.60	4.60	4.60	9.60	3.44
Balance Sheet Data:					
Total assets	$40,758.7	$35,046.1	$35,651.0	$48,158.7	$20,306.2
Short-term debt	—	420.5	299.8	249.9	164.4
Long-term debt	2,106.8	2,104.8	2,014.7	2,966.1	—
Shareholders’ equity	21,552.0	20,060.1	19,301.0	18,688.6	12,305.6

The following table presents key statistical information on the volume of contracts traded, expressed in round turn trades, and notional value of contracts traded. The 2008 volume data includes average daily volume for NYMEX products for the period August 23 through December 31, 2008. The 2007 volume data includes average daily volume for CBOT products for the period July 13 through December 31, 2007. All amounts exclude our TRAKRS, HuRLO, Swapstream, credit default swaps, interest rate swaps and CME Clearing Europe contracts.

	Year Ended or At December 31				
(in thousands, except notional value)	2011	2010	2009	2008	2007
Average Daily Volume:					
Product Lines:					
Interest rate	6,030	5,449	4,260	6,085	7,093
Equity	3,238	2,907	2,916	3,663	2,744
Foreign exchange	922	919	624	623	569
Agricultural commodity	1,087	914	741	848	728
Energy	1,775	1,662	1,492	1,348	—
Metal	387	316	225	208	—
Total Average Daily Volume	13,439	12,167	10,258	12,775	11,134
Method of Trade:					
Electronic	11,350	10,120	8,290	10,180	8,661
Open outcry	1,398	1,402	1,310	1,943	2,276
Privately negotiated	231	198	164	208	197
CME ClearPort	460	447	494	444	—
Total Average Daily Volume	13,439	12,167	10,258	12,775	11,134
Other Data:					
Total Notional Value (in trillions)	1,068	994	813	1,227	1,134

Total Trading Volume (round turn trades)	3,386,716	3,078,149	2,584,891	2,978,459	2,249,632
Open Interest at Year End (contracts)	78,318	84,873	78,102	63,049	53,981

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

INTRODUCTION

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

- Overview: Includes a discussion of our business structure; current economic and industry-wide trends relevant to our business; our current business strategy; and our primary sources of operating and non-operating revenues and expenses.
- Critical Accounting Policies: Provides an explanation of accounting policies which may have a significant impact on our financial results and the estimates, assumptions and risks associated with those policies.
- Recent Accounting Pronouncements: Includes an evaluation of recent accounting pronouncements and the potential impact of their future adoption on our financial results.
- Results of Operations: Includes a discussion of our 2011, 2010 and 2009 financial results and any known events or trends which are likely to impact future results.
- Liquidity and Capital Resources: Includes a discussion of our future cash requirements, capital resources, significant planned expenditures and financing arrangements.

On March 18, 2010, Board of Trade of the City of Chicago, Inc. (CBOT) acquired a 90% ownership interest in CME Group Index Services LLC (Index Services), a joint venture with Dow Jones & Company (Dow Jones). The following Management's Discussion and Analysis of Financial Condition and Results of Operations includes the financial results of Index Services beginning March 19, 2010.

References in this discussion and analysis to "we" and "our" are to CME Group Inc. (CME Group) and its consolidated subsidiaries, collectively. References to "exchange" are to Chicago Mercantile Exchange Inc. (CME), CBOT and New York Mercantile Exchange, Inc. (NYMEX), collectively.

OVERVIEW

Business Structure

CME Group, a Delaware stock corporation, is the holding company for CME, CBOT, NYMEX and their respective subsidiaries. The holding company structure is designed to provide strategic and operational flexibility. CME Group also includes two clearing houses - CME Clearing, a division of CME, and CME Clearing Europe Limited (CMECE). CME Group's Class A common stock is listed on the NASDAQ Global Select Market (NASDAQ) under the ticker symbol "CME."

Our exchange consists of designated contract markets for the trading of futures and options on futures contracts. We also clear futures, options on futures and over-the-counter contracts. Futures contracts and options on futures contracts provide investors with vehicles for protecting against, and potentially profiting from, price changes in financial instruments and physical commodities.

We are a global exchange with customer access available virtually all over the world. Our customers consist of professional traders, financial institutions, individual and institutional investors, major corporations, manufacturers, producers and governments. Customers include both members of the exchange and non-members.

We offer our customers the opportunity to trade futures contracts and options on futures contracts on a range of products including those based on interest rates, equities, foreign exchange, agricultural commodities, energy, and metals. We also clear over-the-counter contracts on a range of product lines including interest rate swaps, credit default swaps, energy and agricultural commodities.

Our products provide a means for hedging, speculating and allocating assets. We identify new products by monitoring economic trends and their impact on the risk management and speculative needs of our existing and prospective customers.

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

Our clearing houses clear, settle and guarantee every futures and options contract traded through our exchanges, in addition to cleared over-the-counter products, including credit default swaps and interest rate swaps. Our clearing house performance guarantee is an important function of our business. Because of this guarantee, our customers do not need to evaluate the credit of each potential counterparty or limit themselves to a selected set of counterparties. This flexibility increases the potential liquidity available for each trade. Additionally, the substitution of our clearing houses as the counterparty to every transaction allows our customers to establish a position with one party and then to offset the position with another party. This contract offsetting process provides our customers with flexibility in establishing and adjusting positions and provides for performance bond efficiencies.

To ensure performance of counterparties, we establish and monitor financial requirements of our clearing firms. We also establish minimum performance bond requirements for our exchange-traded products and over-the-counter products. For CME and CMECE clearing firms, we mark-to-market all open positions at least twice a day and 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 daily, with the capability to mark-to-market more frequently as market conditions warrant.

We maintain three separate financial safeguard packages for CME clearing firms: one for futures and options, one for cleared over-the-counter credit default swap contracts, and one for cleared over-the-counter interest rate swap contracts. In the unlikely event of a payment default by a clearing firm, we would first apply any assets of the defaulting clearing firm deposited with CME to satisfy its payment obligation. These assets include the defaulting firm's guaranty fund contributions, performance bonds and any other available assets, such as assets required for membership and any associated trading rights. In addition, we would make a demand for payment pursuant to any applicable guarantee provided to the exchange by the parent company of the clearing firm. Thereafter, if the payment default remains unsatisfied, we would use our surplus funds for futures and options contracts, or our designated working capital for cleared over-the-counter credit default swap contracts and cleared over-the-counter interest rate swap contracts. We would then use guaranty fund contributions of other clearing firms within the respective financial safeguard package and funds collected through an assessment against solvent clearing firms within the respective financial safeguard package to satisfy the deficit. Surplus funds represent the amount of CME working capital reduced by an amount necessary to support normal operations and amounts designated by CME for our credit default swap and interest rate swap financial safeguard packages.

We maintain a separate financial safeguard package for CMECE clearing firms. In the unlikely event of a payment default by a CMECE clearing firm, we would first apply assets of the defaulting clearing firm to satisfy its payment obligation. These assets include the defaulting firm's performance bonds. Thereafter, if the payment default remains unsatisfied, we would use $60.0 million of CMECE funds. As of December 31, 2011, the guaranty fund contributions were contributed by CMECE. In 2012, the CMECE clearing firms may be asked to contribute to the CMECE guaranty fund and the size of the fund will be reviewed in light of the actual risk exposure. Once the CMECE clearing firms contribute to the guaranty fund, we would use at least $20.0 million of CMECE funds in the event of a default.

Industry Trends

Economic Environment. Our customers continue to use our markets as an effective and transparent means to manage risk and meet their investment needs despite recent economic uncertainty and volatility. In recent years, trading activity in our centralized markets has fluctuated due to the ongoing uncertainty in the financial markets caused by the United States and European credit crisis, fluctuations in the availability of credit, variations in the amount of assets under management as well as the Federal Reserve Bank’s continued zero interest rate policy. We continue to maintain high quality and diverse products as well as various clearing and market data services which support our customers in any economic environment.

Competitive Environment. Our industry is highly competitive and we continue to encounter competition in all aspects of our business. We expect competition to continue to intensify, especially in light of recent regulatory reforms in the financial services industry. Competition is influenced by liquidity and transparency of the markets, variability in fee structures, breadth of product offerings including quality of new product development as well as efficient and innovative technology. We now face competition from other futures, securities and securities option exchanges; over-the-counter markets; clearing organizations; consortia formed by our members and large market participants; alternative trade execution facilities; technology firms, including market data distributors and electronic trading system developers, and others. As the market continues to evolve, we have worked to adapt our trading technology and clearing services to meet the needs of our customers.

Regulatory Environment. Our operations as a derivatives exchange have historically been subject to extensive regulation. As a result of the widespread difficulties across the economy over recent years, the Dodd-Frank Act was signed into law in July 2010. The Dodd-Frank Act is a comprehensive banking and financial services reform package that includes significant changes to the oversight of the derivatives markets, both over-the-counter and exchange-traded. While we believe that the new regulations will provide opportunities for our business, the new regulations are subject to extensive rulemaking by various regulators. To the extent the regulatory environment following the implementation of the new legislation and other financial reform regulations is less beneficial for us or our customers, our business, financial condition and operating results could be negatively affected. We continue to actively participate in the rulemaking process with the goal that the final regulations serve the public interest, foster competition and innovation and do not place the U.S. financial services sector at a competitive disadvantage. The financial services industry in Europe is also undergoing similar regulatory reform, which could result in

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additional regulation over our European operations.

Business Strategy

Our strategy focuses on leveraging our benchmark products, enhancing our customer relations, expanding our customer base, advancing our clearing and trading technologies, and deriving benefits from our integrated clearing houses as well as our scalable infrastructure. We specifically focus our strategy on capitalizing on opportunities created by increased market awareness and acceptance of derivatives, increased price volatility, technological advances and the increasing need for counterparty risk mitigation and clearing services. This strategy allows us to continue to develop into a more broadly diversified financial exchange that provides trading and clearing solutions across a wide range of products and asset classes. We believe that we can build on our competitive strengths by implementing the following strategies:

- Grow our core business by launching new products, expanding our existing benchmark product lines as well as improving our customer relations in order to cross-sell our products;
- Globalize our business by expanding and diversifying our worldwide customer base through strategic investments and relationships with other key exchanges around the world, including Asia, Latin America and other emerging markets, which allows us to accelerate our market penetration and improve product sales channels;
- Provide superior customer service, education and sales support to our customers by restructuring our global client development and sales organization to better target cross asset sales across customer segments, drive international sales and generate new client participation across all regions throughout the world;
- Offer a comprehensive multi-asset class clearing solution to the over-the-counter market that maximizes operational efficiency, as well as expand our over-the-counter product offerings; and
- Establish ourselves as the leading exchange company provider of information products and index services, which would allow us to create additional cross-listing opportunities and new opportunities for index creation. It will also allow us to create opportunities for licensing across the global market as well as expanding market data dissemination services to our global network of clients and exchange partners.

Primary Sources of Revenue

Clearing and transaction fees. A majority of our revenue is derived from clearing and transaction fees, which include electronic trading fees, surcharges for privately-negotiated transactions and other volume-related charges for contracts executed through our trading venues. Because clearing and transaction fees are assessed on a per-contract basis, revenues and profitability fluctuate with changes in trading volume. In addition to the industry trends noted earlier, our trading volume and consequently our revenues tend to increase during periods of economic and geopolitical uncertainty as our customers seek to manage their exposure to, or speculate on, the market volatility resulting from uncertainty.

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

- rate structure;
- product mix;
- venue, and
- the percentage of trades executed by customers who are members compared with non-member customers.

Rate structure. Customers benefit from volume discounts and limits on fees as part of our effort to increase liquidity in certain products. We offer various incentive programs to promote trading in various products and geographic locations. We may periodically change fees, volume discounts, limits on fees and member discounts, perhaps significantly, based on our review of operations and the business environment.

Product mix. We offer trading of futures and options on futures contracts as well as cleared-only swap contracts on a wide-ranging set of products based on interest rates, equities, foreign exchange, agricultural commodities, energy and metals. Rates are varied by product in order to optimize revenue on existing products and to encourage trading volume upon introduction of new products.

Venue. Our exchange is an international marketplace that brings together buyers and sellers mainly through our electronic trading platform as well as through open outcry trading on our trading floors, privately negotiated transactions and CME ClearPort. Any customer who is guaranteed by a clearing firm and who agrees to be bound by our exchange rules is able to obtain direct access to our electronic platform and CME ClearPort. Open outcry trading is conducted exclusively by our members, who may execute trades on behalf of customers or for themselves.

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Typically, customers executing trades through our electronic platform are charged fees for using the platform in addition to the fees assessed on all transactions executed on our exchange. Customers entering into privately negotiated transactions also incur additional charges beyond the fees assessed on all transactions. Privately negotiated transactions include block trades, which are large transactions that are executed between selected parties off the public auction market on CME Globex or the trading floor. ClearPort provides for the clearing of OTC futures and options trades executed off-exchange. In addition to clearing fees, there are other assessments on ClearPort transactions.
Member/non-member mix. Generally, member customers are charged lower fees than our non-member customers. Holding all other factors constant, revenue decreases if the percentage of trades executed by members increases, and increases if the percentage of non-member trades increases.
Other sources. Revenue is also derived from other sources including market data and information services, access and communication fees and various services related to our exchange and building operations.
Market data and information services. We receive market data and information services revenue from the dissemination of our market data to subscribers. Subscribers can obtain access to our market data services either directly or through third-party distributors.
Our service offerings include access to real-time, delayed and end-of-day quotation, trade and summary market data for our products and other data sources. Users of our basic service receive real-time quotes and pay a flat monthly fee for each screen, or device, displaying our market data. Alternatively, customers can subscribe to market data provided on a limited group of products. The fee for this service is also a flat rate per month.
Pricing for our market data services is based on the value of the service provided, our cost structure for the service and the price of comparable services offered by our competitors. Increases or decreases in our market data and information services revenue are influenced by changes in our price structure for existing market data offerings, introduction of new market data services and changes in the number of devices in use. General economic factors that affect the financial services industry, which constitutes our primary customer base, also influence revenue from our market data services.
On March 18, 2010, CBOT and Dow Jones entered into an agreement to form Index Services. Index Services was formed through the contribution of CBOT's market data business and Dow Jones' index business. Index Services generates market data and information services revenue through licensing of its trademark indexes as well as through calculation and distribution of its market data.
Access and communication fees. Access and communication fees are the connectivity charges to customers of the CME Globex platform to our market data vendors and to direct market data customers as well as charges to members and clearing firms that utilize our various telecommunications networks and communications services, including our co-location initiative, which was launched in January 2012. Access fee revenue varies depending on the type of connection provided to customers. Revenue from communication fees is dependent on open outcry trading, as a significant portion relates to telecommunications on our trading floors.
Other revenues. Other revenues include rent charged to third party tenants as well as ancillary charges for utilities, parking and miscellaneous services provided to tenants. We maintain three commercial buildings in Chicago's central business district. We rent retail and office space to third party tenants, including exchange customers. We also maintain office space in New York City that is rented to third party tenants, including exchange customers. All tenants pay market rates for rent. Revenues related to our real estate operations are generally affected by market rental rates, lease renewals and business conditions in the financial services industry in which most of our tenants operate. In June 2011, we announced that we are pursuing a sale and partial leaseback of the north and south buildings of CBOT. If the sale is completed, other revenues from rent will decrease.
To further diversify the range of services we offer, we have entered into processing and development agreements with other exchanges and service organizations. For example, in 2010, we entered into an agreement with BM&FBOVESPA S.A (BM&FBOVESPA) to develop a new multi-asset class electronic trading platform for their customers. We recognize revenue under this agreement as services are provided and when developed technology is delivered.
Additionally, other revenues include fees for administrating our Interest Earning Facility (IEF) program, trade order routing, and various services to members and clearing firms. We offer clearing firms the opportunity to invest cash

performance bonds in our various IEF offerings. These clearing firms receive interest income, and we receive a fee based on total funds on deposit. In addition, other revenues include trading gains and losses generated by GFX Corporation (GFX), our wholly-owned subsidiary that trades futures contracts to enhance liquidity in our electronic markets for these products. Other revenues also include gains on sales from various investments.

Primary Expenses

The majority of our expenses do not vary directly with changes in our trading volume. Licensing and other fee agreements and the majority of our employee bonuses do vary directly with trading volume.

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

The bonus component of our compensation and benefits expense is based on our financial performance. Under the performance criteria of our annual incentive plans, the bonus funded under the plans is based on achieving certain financial performance targets established by the compensation committee of our board of directors. The compensation committee may adjust the target level of performance for material, unplanned operating results or capital expenditures to meet intermediate to long-term growth opportunities.

Stock-based compensation is a non-cash expense related to stock options, restricted stock and performance share grants. Stock-based compensation varies depending on the quantity and fair value of awards granted. The fair value of options is derived using the Black-Scholes model with assumptions about our dividend yield, the expected volatility of our stock price based on an analysis of implied and historical volatility, the risk-free interest rate and the expected life of the options granted. The fair value of other awards is based on either the share price on the date of the grant or a model of expected future stock prices.

Amortization of purchased intangibles. This expense includes amortization of intangible assets obtained in our mergers with CBOT Holdings and NYMEX Holdings as well as other asset and business acquisitions. Intangible assets subject to amortization consist primarily of customer relationships, licensing agreements and lease-related intangible assets.

Depreciation and amortization. Depreciation and amortization expense results from the depreciation of long-lived assets purchased, as well as the amortization of purchased and internally developed software.

Professional fees and outside services. This expense includes costs of consulting services provided for strategic and technology initiatives as well as legal and accounting fees. This expense may fluctuate as a result of changes in services required to complete initiatives and legal proceedings.

Other expenses. We incur additional ongoing expenses for communications, technology support services and various other activities necessary to support our operations.

- Communications expense includes costs for network connections to our electronic trading platform and some market data customers; telecommunications costs of our exchange; and fees paid for access to external market data. This expense may be impacted by growth in electronic trading, our capacity requirements and changes in the number of telecommunications hubs and connections which allow customers outside the United States access to our electronic trading platform directly.
- Technology support services consist of costs related to maintenance of the hardware and software required to support our technology. Our technology support services costs are driven by system capacity, functionality and redundancy requirements.
- Occupancy and building operations expense consists of costs related to leased and owned property including rent, maintenance, real estate taxes, utilities and other related costs. We have significant operations located in Chicago and New York City with smaller offices located throughout Europe, North and South America, the Middle East and Asia. Additionally, we have trading facilities in Chicago and New York City as well as data centers in various U.S. locations. In June 2011, we announced that we are pursuing a sale and partial leaseback of the north and south buildings of CBOT. If the sale is completed, occupancy and building operations expense will decrease.
- Licensing and other fee agreements expense includes license fees paid as a result of trading volume in equity index products, and royalty and broker rebates on energy and metals products. This expense fluctuates with changes in equity index product volume as well as CME ClearPort volumes and fee structure changes in the agreements.
- Other expenses include marketing and travel-related as well as general and administrative costs. Marketing, advertising and public relations expense includes media, print and other advertising costs, as well as costs associated with our product promotion. Other expenses also include litigation and customer settlements as well as impairment of operational assets and restructuring expense resulting from our mergers with CBOT Holdings and NYMEX Holdings.

Non-Operating Income and Expenses

Income and expenses incurred through activities outside of our core operations are considered non-operating. These activities include investments in debt and equity securities for operational and strategic purposes and financing activities.

- Investment income represents income generated by short-term investment of excess cash, clearing firms' cash performance bonds and guaranty fund contributions; income and net realized gains and losses from our marketable

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securities; gains and losses on trading securities in our non-qualified deferred compensation plans and dividend income from our strategic investments. Investment income is influenced by the availability of funds generated by operations, market interest rates, changes in the levels of cash performance bonds deposited by clearing firms as well as the amount of dividends distributed from our strategic investments.

- We have used derivative financial instruments for the purpose of hedging exposures to fluctuations in interest rates and foreign currency exchange rates. Any ineffective or excluded portion of our hedges is recognized in earnings immediately.
- Interest and other borrowing costs are associated with various short-term and long-term funding facilities. We maintain a commercial paper program with various financial institutions. In early 2009, we refinanced part of the debt that was previously issued for the NYMEX Holdings merger. In conjunction with its formation, Index Services issued long-term debt in March 2010. Our debt is fixed rate debt, but debt-related costs fluctuate with the funding needs of our business as our debt levels change.
- Income related to our guarantee of exercise right privileges (ERPs) was a result of our merger with CBOT Holdings. Under the terms of the merger agreement, eligible holders of Chicago Board Options Exchange (CBOE) ERPs could elect to sell us their ERP for $250,000 per privilege. Eligible holders that did not elect to sell their ERPs were entitled to a maximum guaranteed payment of $250,000 from us upon resolution of the lawsuit between CBOT and CBOE. This income represented the change in estimated fair value of our guarantee during the period, which was based in part on the expected outcome of the litigation. This litigation was resolved in December 2009.
- Equity in net losses of unconsolidated subsidiaries includes income and losses from our investments in Dubai Mercantile Exchange, Green Exchange Holdings, LLC, Bursa Malaysia Derivatives Berhad and OneChicago LLC (OneChicago).
- Other income (expense) includes income and expenses related to our securities lending program. CME's securities lending program has been suspended since 2008. NYMEX's securities lending program was terminated in June 2009.

CRITICAL ACCOUNTING POLICIES

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

Valuation of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or an exit price. A hierarchy exists for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our judgments about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

We have categorized financial instruments measured at fair value into a three-level classification hierarchy. Classification is based on the reliability of inputs as follows:

- Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. Assets and liabilities carried at level 1 fair value generally include U.S. Treasury and Government agency securities, equity securities listed in active markets, and investments in publicly traded mutual funds with quoted market prices.
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- Level 2—Inputs are either directly or indirectly observable and corroborated by market data or are based on quoted prices in markets that are not active. Assets and liabilities carried at level 2 fair value generally include municipal bonds, corporate debt and certain derivatives.
- Level 3—Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability. Generally assets and liabilities at fair value utilizing level 3 inputs include certain other assets and liabilities with inputs that require management's judgment.

For further discussion regarding the fair value of financial assets and liabilities, see note 20 in the notes to the consolidated

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financial statements.

Goodwill and intangible assets. We review goodwill and intangible assets with indefinite lives for impairment on an annual basis and whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill is assessed for impairment using a two-step test. In the first step, the fair value of each reporting unit is compared to its carrying amount. If the fair value of the reporting unit exceeds the carrying amount, no impairment exists and we are not required to perform further testing. If the carrying amount exceeds its fair value, the second step must be performed to determine the implied fair value of the reporting unit's goodwill. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, then an impairment loss is recorded in an amount equal to that excess. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. Valuation techniques we use to measure fair value include the market approach and the income approach. The market approach encompasses comparable data sets within our peer group, and the income approach includes discounted cash flow measurements using a market discount rate. Our valuation techniques could yield variable results based on changes in assumptions such as the discount rate and long-term growth rate and forecasted revenue and expense. In the third quarter of 2011, the company adopted newly-issued guidance on goodwill impairment testing. The guidance permits companies to perform a qualitative impairment assessment of goodwill that may allow them to omit the annual two-step quantitative test.

Indefinite-lived intangible assets are assessed for impairment by comparing their fair values to their carrying values. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized equal to the difference. The estimate of the fair value of all intangible assets is generally determined on the basis of discounted future cash flows. In estimating the fair value, management must make assumptions and projections regarding such items as the discount rate, long-term growth rate, forecasted revenue and expenses, and other factors. Such assumptions are subject to change as a result of changing economic and competitive conditions.

Intangible assets subject to amortization are also evaluated for impairment when indicated by a change in economic or operational circumstances. The impairment testing requires management to first compare the book value of the amortizing asset to undiscounted cash flows. If the book value exceeds the undiscounted cash flows, management is then required to estimate the fair value of the assets and record an impairment loss for the excess of the carrying value over the fair value.

Derivative investments. We use derivative financial instruments for the purpose of hedging exposures to fluctuations in interest rates and foreign currency exchange rates. Derivatives are recorded at fair value in the consolidated balance sheets. Changes in our derivatives' fair values are recognized in earnings unless the instruments are accounted for as cash flow hedges. For a derivative designated as a fair value hedge, any gain or loss on the derivative is recognized in earnings in the period of change, to the extent the hedge is effective, together with the offsetting gain or loss on the hedged item attributable to the risk being hedged. We record the effective portions of our derivative financial instruments that are designated as cash flow hedges in accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets. In the period during which the hedged item affects earnings, the gain or loss included in accumulated other comprehensive income (loss) is transferred to the same line in the consolidated statements of income as the hedged item. Any ineffective or excluded portion of a hedge is recognized in earnings immediately. Any realized gains and losses from effective hedges are classified in the consolidated statements of income consistent with the accounting treatment of the items being hedged.

Revenue recognition. A significant portion of our revenue is derived from the clearing and transaction fees we assess on each contract executed through our trading venues and cleared through our clearing houses. Clearing and transaction fees are recognized as revenue when a buy and sell order are matched and when the trade is cleared. On occasion, the customer's exchange trading privileges may not be properly entered by the clearing firm and incorrect fees are charged for the transactions in the affected accounts. When this information is corrected within the time period allowed by the exchange, a fee adjustment is provided to the clearing firm. An accrual is established for estimated fee adjustments to reflect corrections to customer exchange trading privileges. The accrual is based on the historical pattern of adjustments processed as well as specific adjustment requests. Occasionally market data customers will pay for services in a lump sum payment. When these circumstances occur, revenue is recognized as services are provided.

Income taxes. Calculation of the income tax provision includes an estimate of the income taxes that will be paid for the current year as well as an estimate of income tax liabilities or benefits deferred into future years. Deferred tax assets are reviewed to determine if they will be realized in future periods. To the extent it is determined that some deferred tax assets may not be fully realized, the assets are reduced to their realizable value by a valuation allowance. The calculation of our tax provision involves uncertainty in the application of complex tax regulations. We recognize potential liabilities for anticipated tax audit issues in the United States and other applicable foreign tax jurisdictions using a more-likely-than-not recognition threshold based on the technical merits of the tax position taken or expected to be taken. If payment of these amounts varies from our estimate, our income tax provision would be reduced or increased at the time that determination is made. This determination may not be known for several years. Past tax audits have not resulted in tax adjustments that would result in a material change to the income tax provision in the year the audit was completed. The effective tax rate, defined as the income tax provision as a percentage of income before income taxes, will vary from year to year based on changes in tax jurisdictions, tax rates and regulations. In addition, the effective tax rate will vary with changes to income that are not subject to income tax, such as municipal interest income, and changes in expenses or losses that are not deductible, such as the utilization of foreign net operating losses.

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

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011, Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) for Fair Value Measurement. The ASU provides clarity on existing fair value measurement and disclosure requirements, and is effective for interim and annual periods beginning after December 15, 2011, with no early adoption permitted. We will adopt the disclosure requirements once the guidance becomes effective.

In June 2011, FASB issued an ASU for Presentation of Comprehensive Income. The ASU requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements, and to present reclassification adjustments out of accumulated other comprehensive income by component in the income statement and in the other comprehensive income statement. The ASU is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. In December 2011, FASB issued an ASU that indefinitely deferred the reclassification adjustments presentation. We will adopt the disclosure requirements once the guidance becomes effective.

In December 2011, FASB issued an ASU for Balance Sheet Offsetting Disclosure Requirements. The ASU requires entities to disclose both gross and net information about instruments and transactions eligible for offset in the financial statements, as well as instruments and transactions subject to an agreement similar to a master netting arrangement. The ASU is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods therein, with retrospective application required. We will adopt the disclosure requirements once the guidance becomes effective.

RESULTS OF OPERATIONS

2011 Financial Highlights

The comparability of our operating results for the periods presented is impacted by the formation of Index Services in March 2010.

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

				Year-over-Year Change	
(dollars in millions, except per share data)	2011	2010	2009	2011-2010	2010-2009
Total revenues					