CHICAGO MERCANTILE EXCHANGE INC.
AND SUBSIDIARIES

Financial Statements

For the Years Ended December 31, 2012 and 2011

CHICAGO MERCANTILE EXCHANGE INC. AND SUBSIDIARIES
FINANCIAL STATEMENTS
INDEX

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Chicago Mercantile Exchange Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chicago Mercantile Exchange Inc. and subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 21, 2013

CHICAGO MERCANTILE EXCHANGE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share data)

	December 31, 2012	December 31, 2011
Assets		
Current Assets:		
Cash and cash equivalents	$ 797.8	$ 491.4
Marketable securities	34.5	31.9
Accounts receivable, net of allowance of $0.4 and $0.2	96.2	107.5
Other current assets	98.6	106.2
Due from affiliates	125.4	110.5
Cash performance bonds and guaranty fund contributions	6,513.9	9,293.8
Total current assets	7,666.4	10,141.3
Property, net	450.5	437.2
Intangible assets - other, net of accumulated amortization of $0.8 and $8.8	16.2	0.9
Goodwill	17.7	—
Other assets	97.1	90.5
Total Assets	$ 8,247.9	$ 10,669.9
Liabilities and Shareholder's Equity		
Current Liabilities:		
Accounts payable	$ 24.3	$ 20.5
Other current liabilities	122.1	132.5
Due to affiliates	180.8	170.4
Cash performance bonds and guaranty fund contributions	6,513.9	9,293.8
Total current liabilities	6,841.1	9,617.2
Intercompany loan payable	275.0	—
Other liabilities	96.8	128.8
Total Liabilities	7,212.9	9,746.0
Shareholder's Equity:		
Common stock, $0.01 par value, 1,000 shares authorized, 100 shares issued and outstanding	—	—
Additional paid-in capital	527.7	470.6
Retained earnings	540.2	479.5
Accumulated other comprehensive income (loss)	(32.9)	(26.2)
Total Shareholder's Equity	1,035.0	923.9
Total Liabilities and Shareholder's Equity	$ 8,247.9	$ 10,669.9

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(in millions)

	Year Ended December 31,	
	2012	**2011**
Revenues		
Clearing and transaction fees	$ 903.6	$ 1,126.3
Fees from affiliates	498.6	410.8
Market data and information services	86.0	114.2
Access and communication fees	82.5	41.2
Other	34.3	35.6
Total Revenues	1,605.0	1,728.1
Expenses		
Compensation and benefits	393.8	369.2
Communications	35.2	36.1
Technology support services	45.6	47.6
Professional fees and outside services	84.8	91.2
Amortization of purchased intangibles	1.7	1.5
Depreciation and amortization	109.3	97.0
Occupancy and building operations	45.0	43.9
Licensing and other fee agreements	40.9	42.0
Other	130.5	124.8
Total Expenses	886.8	853.3
Operating Income	718.2	874.8
Non-Operating Income (Expense)		
Investment income	7.4	1.6
Interest and other borrowing costs	(13.3)	—
Equity in losses of unconsolidated subsidiaries	(0.7)	(3.3)
Other	(0.3)	—
Total Non-Operating	(6.9)	(1.7)
Income before Income Taxes	711.3	873.1
Income tax provision	287.6	333.6
Net Income	$ 423.7	$ 539.5

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Year Ended December 31,	
	2012	**2011**
Net income	$ 423.7	$ 539.5
Other comprehensive income, net of tax:		
Investment securities:		
Net change in defined benefit plans arising during the period	(0.6)	—
Income tax benefit	0.2	—
Investment securities, net	(0.4)	—
Defined benefit plans:		
Net change in defined benefit plans arising during the period	(13.0)	(19.1)
Amortization of net actuarial losses included in pension expense	2.5	1.7
Income tax benefit	4.2	6.5
Defined benefit plans, net	(6.3)	(10.9)
Other comprehensive income, net of tax	(6.7)	(10.9)
Comprehensive income	$ 417.0	$ 528.6

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(in millions, except shares)

	Common Stock (shares)	Common Stock and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity
Balance at December 31, 2010	100	$ 425.6	$ 349.0	$ (15.3)	$ 759.3
Net income			539.5		539.5
Other comprehensive income				(10.9)	(10.9)
Cash dividends to CME Group Inc.			(409.0)		(409.0)
Excess tax benefits from option exercises and restricted stock vesting		0.7			0.7
Stock-based compensation		44.3			44.3
Balance at December 31, 2011	100	$ 470.6	$ 479.5	$ (26.2)	$ 923.9
Net income			423.7		423.7
Other comprehensive income				(6.7)	(6.7)
Cash dividends to CME Group Inc.			(363.0)		(363.0)
Excess tax benefits from option exercises and restricted stock vesting		4.6			4.6
Stock-based compensation		52.5			52.5
Balance at December 31, 2012	100	$ 527.7	$ 540.2	$ (32.9)	$ 1,035.0

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,	
	2012	2011
Cash Flows from Operating Activities		
Net income	$ 423.7	$ 539.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	52.5	44.3
Depreciation and amortization	109.3	97.0
Equity in losses of unconsolidated subsidiaries	0.7	3.3
Deferred income taxes	(2.0)	(6.0)
Change in assets and liabilities:		
Net due to or from affiliates	(48.7)	(103.5)
Accounts receivable	12.3	2.0
Other current assets	7.7	3.0
Other assets	9.9	(10.5)
Accounts payable	3.5	(20.9)
Other current liabilities	(15.7)	(2.1)
Other liabilities	(4.4)	(3.1)
Other	1.8	1.6
Net Cash Provided by Operating Activities	550.6	544.6
Cash Flows from Investing Activities		
Proceeds from maturities of available-for-sale marketable securities	0.3	1.1
Purchases of property, net	(121.8)	(135.5)
Investment in business venture	(39.3)	—
Net Cash Used in Investing Activities	(160.8)	(134.4)
Cash Flows from Financing Activities		
Cash dividends to CME Group Inc.	(363.0)	(409.0)
Excess tax benefits from option exercises and restricted stock vesting	4.6	0.7
Intercompany loan payable	275.0	—
Net Cash Used in Financing Activities	(83.4)	(408.3)
Net change in cash and cash equivalents	306.4	1.9
Cash and cash equivalents, beginning of period	491.4	489.5
Cash and Cash Equivalents, End of Period	$ 797.8	$ 491.4
Supplemental Disclosure of Cash Flow Information		
Income taxes paid	$ 8.8	$ 17.4

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Chicago Mercantile Exchange Inc. (CME, the exchange or the company), a wholly-owned subsidiary of CME Group Inc. (CME Group), is a designated contract market (DCM) for the trading of futures and options on futures contracts. CME offers a wide range of products including those based on interest rates, equities, foreign exchange, and commodities. Trades are executed through electronic trading platform, open outcry and privately negotiated transactions. CME is also a derivatives clearing organization (DCO). Through its clearing house, CME offers clearing, settlement, and guarantees for all products cleared through the company and its affiliates. CME also provides clearing and other services to other third-parties.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries as of and for the years ended December 31, 2012 and 2011. All intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior year's financial statements to conform to the presentation in the current year.

Use of Estimates. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the consolidated financial statements and accompanying notes. Estimates are based on historical experience, where applicable, and assumptions management believes are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less at the time of purchase.

Financial Investments. The company maintains short-term investments classified as available-for-sale or trading securities. Available-for-sale investments are carried at their fair value, with unrealized gains and losses, net of deferred income taxes, reported as a component of accumulated other comprehensive income. Trading securities held in connection with a non-qualified deferred compensation plan are recorded at fair value, with net realized and unrealized gains and losses and dividend income reported as investment income.

The company reviews its investments to determine whether a decline in fair value below the cost basis is other-than-temporary. If events and circumstances indicate that a decline in the value of the assets has occurred and is deemed to be other-than-temporary, the carrying value of the investments is reduced to its fair value and a corresponding impairment is charged to earnings.

Fair Value of Financial Instruments. The company uses a three-level classification hierarchy of fair value measurements that establishes the quality of inputs used to measure fair value. The fair value of a financial instrument is the amount 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. The fair value of financial instruments is determined using various techniques that involve some level of estimation and judgment, the degree of which is dependent on the price transparency and the complexity of the instruments.

The hierarchy is broken down into three levels 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 U.S. government agency securities, equity securities listed in active markets, and investments in publicly traded mutual funds with quoted market prices.
- 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 classified as level 2 value generally include municipal bonds and corporate debt.
- 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.

Accounts Receivable. Accounts receivable are composed of trade receivables and unbilled revenue including clearing and transaction fees as well as market data and information services revenue. All accounts receivable are stated at cost. Exposure to losses on receivables for clearing and transaction fees and other amounts owed by clearing firms is dependent on each clearing firm's financial condition. The allowance for doubtful accounts is calculated based on historical losses and management's assessment of probable future collections.

Performance Bonds and Guaranty Fund Contributions. Performance bonds and guaranty fund contributions held by CME for clearing firms may be in the form of cash, securities or other non-cash deposits.

Performance bonds and guaranty fund contributions received in the form of cash are held by CME and may be invested overnight in U.S. government securities acquired through and held by a broker-dealer subsidiary of a bank, reverse repurchase agreements secured with highly rated government securities, money market funds or through CME's selected Interest Earning Facility (IEF) program. Any interest earned on these investments accrues to CME and is included in investment income in the consolidated statements of income. Because the benefits and risks of ownership accrue to CME, cash performance bonds and guaranty fund contributions are reflected in the consolidated balance sheets.

Securities and other non-cash deposits may include U.S. Treasury securities, U.S. government agency securities, Eurobonds, corporate bonds, other foreign government securities and gold bullion. Securities and other non-cash deposits are held in safekeeping by a custodian bank. Interest and gains or losses on securities deposited to satisfy performance bond and guaranty fund requirements accrue to the clearing firm. Because the benefits and risks of ownership accrue to the clearing firm, non-cash performance bonds and guaranty fund contributions are not reflected in the consolidated balance sheets.

Property. Property is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method, generally over two to thirty-nine years. Property and equipment are depreciated over their estimated useful lives. Leasehold improvements are amortized over the shorter of the remaining term of the respective lease to which they relate or the remaining useful life of the leasehold improvement. Land is stated at cost. Internal and external costs incurred in developing or obtaining computer software for internal use are capitalized and amortized on a straight-line basis over the estimated useful life of the software, generally three years.

Operating Leases. All leases in which the company is the tenant are accounted for as operating leases. Landlord allowances are recorded as a reduction to rent expense on a straight-line basis over the term of the lease.

Goodwill. The company tests goodwill for impairment annually and whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. The company may test goodwill quantitatively for impairment by comparing the carrying value of a reporting unit to its estimated fair value. Estimating the fair value of a reporting unit involves significant judgments inherent in the analysis including estimating the amount of and timing of future cash flows and the selection of appropriate discount rates and long-term growth rate assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value of the reporting unit. If the carrying amount exceeds fair value, impairment is recorded. In certain circumstances, goodwill may be reviewed qualitatively for indications of impairment without utilizing valuation techniques to estimate fair value.

Business Combinations. The company accounts for business combinations using the purchase method. The method requires the acquirer to recognize the assets acquired, liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The company may use independent valuation services to assist in determining the estimated fair values.

Employee Benefit Plans. The company recognizes the funded status of defined benefit postretirement plans in its consolidated balance sheets. Changes in that funded status are recognized in the year of change in other comprehensive income (loss). Plan assets and obligations are measured at year end. The company recognizes future changes in actuarial gains and losses and prior service costs in the year in which the changes occur through other comprehensive income (loss).

Revenue Recognition. Revenue recognition policies for specific sources of revenue are discussed below.

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

Market Data and Information Services. Market data and information services represent revenue earned for the dissemination of market information. Revenues are accrued each month based on the number of devices reported by vendors. The exchange conducts periodic examinations of the number of devices reported and assesses additional fees as necessary. On occasion, customers will pay for services in a lump sum payment; however, revenue is recognized as services are provided.

Access and Communication Fees. Access fees are the connectivity charges to customers of the company's electronic trading platform that are also used by market data vendors and customers. The fees include co-location fees, access fees for the electronic trading platform, line charges and hardware rental charges and can vary depending on the type of connection provided. An additional installation fee may be charged depending on the type of service requested and a disconnection fee may also be charged if certain conditions are met. Revenue is generally recognized monthly as the service is provided.

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

Other Revenues. Other revenues include services revenue earned under various processing and technology development agreements. This revenue is recognized as services are provided and when developed technology is delivered. Other revenue also includes trading revenues generated by GFX Corporation, a wholly-owned subsidiary of CME.

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

Income Taxes. Deferred income taxes arise from temporary differences between the tax basis and book basis of assets and liabilities. A valuation allowance is recognized if it is anticipated that some or all of a deferred tax asset may not be realized. The company accounts for uncertainty in income taxes recognized in its consolidated financial statements by using a more-likely-than-not recognition threshold based on the technical merits of the tax position taken or expected to be taken. The company classifies interest and penalties related to uncertain tax positions in income tax expense.

3. BUSINESS TRANSACTIONS

In 2012, CME purchased Pivot, Inc. for $39.3 million. Under the accounting guidance for business combinations, the purchase price of $39.3 million was allocated to Pivot's net tangible and identifiable intangible assets based on their estimated fair values as of the acquisition date. The excess of the purchase price over the net tangible assets and identifiable intangible assets was recorded as goodwill. Based on the purchase price allocation, CME recorded $17.0 million of identifiable intangible assets and $17.7 million of goodwill.

4. TRANSACTIONS WITH AFFILIATED COMPANIES

The company transacts business in the normal course of operations with affiliates including its parent and entities under common ownership control. Affiliates include, but are not limited to, CME Group, Board of Trade of the City of Chicago, Inc. (CBOT), New York Mercantile Exchange, Inc. (NYMEX), Commodity Exchange, Inc. (COMEX) and CME Group Index Services LLC (Index Services).

Fees from affiliates. CME receives fees from affiliates for shared operational and administrative services including, but not limited to, clearing and transaction processing; data distribution; network and infrastructure connectivity and maintenance; marketing, and staffing resources. In 2012 and 2011, CME recognized fees from affiliates of $498.6 million and $410.8 million, respectively.

Fees to affiliates. CME pays a fee to various affiliates for marketing, software development and market data services. In 2012 and 2011, CME recognized fees to affiliates of $69.4 million and $34.5 million, respectively. These expenses were included in other expenses in the consolidated statements of income.

Allocation of stock-based compensation expense. CME Group grants stock options and restricted stock awards under its stock-based incentive plans to employees of CME. Stock-based compensation costs and excess tax benefits related to stock-based incentives received by CME's employees are recorded as additional paid-in capital in shareholder's equity.

Allocation of income taxes. CME is included in the consolidated federal and state income tax returns of its parent, CME Group. Income tax expense is allocated to members of the consolidated group based on a separate entity basis.

Amounts due from and to affiliates. Amounts due from and to affiliates represent unsecured receivables and payables for shared services and income taxes. At December 31, 2012, amounts due from (to) affiliates consisted of the following:

(in millions)	Shared Services	Income Taxes	Total	Due from Affiliates	Due to Affiliates	Total
CME Group	$ 0.1	$ (43.3)	$ (43.2)	$ —	$ (43.2)	$ (43.2)
CBOT	(99.0)	—	(99.0)	—	(99.0)	(99.0)
NYMEX	100.2	—	100.2	100.2	—	100.2
CME Marketing Europe Limited	(22.7)	—	(22.7)	—	(22.7)	(22.7)
Index Services	14.5	—	14.5	14.5	—	14.5
Other affiliates	(5.2)	—	(5.2)	10.7	(15.9)	(5.2)
Total	$ (12.1)	$ (43.3)	$ (55.4)	$ 125.4	$ (180.8)	$ (55.4)

At December 31, 2011, amounts due from (to) affiliates consisted of the following:

(in millions)	Shared Services	Income Taxes	Total	Due from Affiliates	Due to Affiliates	Total
CME Group	$ 1.9	$ (51.2)	$ (49.3)	$ —	$ (49.3)	$ (49.3)
CBOT	(105.4)	—	(105.4)	—	(105.4)	(105.4)
NYMEX	77.4	—	77.4	77.4	—	77.4
CME Operations Limited	9.4	—	9.4	9.4	—	9.4
Other affiliates	8.0	—	8.0	23.7	(15.7)	8.0
Total	$ (8.7)	$ (51.2)	$ (59.9)	$ 110.5	$ (170.4)	$ (59.9)

Intercompany loan. CME and CME Group have entered into an intercompany loan agreement in which each entity may make loans to the other entity. The agreement expires on March 4, 2014. The amount due can be payable on demand prior to that date. The outstanding loan amount cannot exceed $750.0 million. Interest accrues based on the prime rate and is payable on demand. During 2012, loans of $50.0 million and $400.0 million payable by CME Group to CME were outstanding. The interest rate on the loans was 3.25%. At December 31, 2012, the balance of the outstanding loans was $275.0 million. During 2011, loans of $72.0 million and $43.0 million payable by CME Group to CME were outstanding. At December 31, 2011, there were no intercompany loans outstanding. The interest rate on the loans was 3.25%. Total intercompany interest expense for 2012 and 2011 was $4.7 million and $1.2 million, respectively.

5. MARKETABLE SECURITIES

Available-for-Sale Securities. An asset-backed security has been classified as available for sale. The amortized cost and fair value of the asset-backed security at December 31, 2012 were $0.8 million and $0.4 million, respectively. The amortized cost and fair value of the asset-backed security at December 31, 2011 were $1.1 million and $1.0 million, respectively.

Net unrealized gains (losses) on marketable securities classified as available for sale are reported as a component of other comprehensive income (loss) and included in the accompanying consolidated statements of shareholder's equity. The gross unrealized loss totaled $0.4 million and $0.1 million at December 31, 2012 and 2011, respectively.

The asset-backed security was in an unrealized loss position for more than 12 months at December 31, 2012. The company has the ability and intent to hold the asset-backed security until a recovery of fair value, which may be at maturity, and does not consider the asset-backed security to be other-than-temporarily impaired at December 31, 2012. Based on its contractual terms, the asset-backed security is scheduled to mature in 2037.

Trading Securities. The company maintains additional investments in a diverse portfolio of mutual funds related to its non-qualified deferred compensation plan (note 10). The fair value of these securities was $34.1 million and $30.9 million at December 31, 2012 and 2011, respectively.

6. PERFORMANCE BONDS AND GUARANTY FUND CONTRIBUTIONS

CME clears and guarantees the settlement of CME, CBOT, NYMEX and COMEX contracts traded in their respective markets. In its guarantor role, CME has precisely equal and offsetting claims to and from clearing firms on opposite sides of each contract, standing as an intermediary on every contract cleared. Clearing firm positions in the United States are held according to Commodity and Futures Trading Commission (CFTC) regulatory account segregation standards. To the extent that funds are not otherwise available to satisfy an obligation under the applicable contract, the clearing house bears counterparty credit risk in the event that future market movements create conditions that could lead to clearing firms failing to meet their obligations to the clearing house. The clearing house reduces its exposure through risk management programs that include initial and ongoing financial standards for designation as a clearing firm, performance bond requirements and mandatory guaranty fund contributions. Each clearing firm is required to deposit and maintain balances in the form of cash, U.S. government securities, certain foreign government securities, bank letters of credit or other approved investments to satisfy performance bond and guaranty fund requirements. All non-cash deposits are marked to market and haircut on a daily basis.

CME marks-to-market open positions 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 once daily, with the capability to mark-to-market more frequently as market conditions warrant.

Under the extremely unlikely scenario of simultaneous default by every clearing firm who has open positions with unrealized losses, the maximum exposure related to positions other than over-the-counter credit default and interest rate swap contracts would be one half day of changes in fair value of all open positions, before considering the clearing house's ability to access defaulting clearing firms' collateral deposits. For CME's cleared over-the-counter credit default swap and interest rate swap contracts, the maximum exposure related to CME's guarantee would be one full day of changes in fair value of all open positions, before considering CME's ability to access defaulting clearing firms' collateral. During 2012, CME transferred an average of approximately $2.4 billion a day through its clearing system for settlement from clearing firms whose positions had lost value to clearing firms whose positions had gained value. CME reduces its guarantee exposure through initial and maintenance performance bond requirements and mandatory guaranty fund contributions. The company believes that the guarantee liability is immaterial and therefore has not recorded any liability at December 31, 2012.

Cash performance bonds and guaranty fund contributions are included in the consolidated balance sheets. These balances may fluctuate significantly over time due to investment choices available to clearing firms and any change in the amount of contributions required. Securities are not reflected in the consolidated financial statements and CME does not earn any interest on these deposits.

Clearing firms, at their option, may instruct CME to deposit the cash held by CME into one of its IEF programs. The total principal in the IEF programs was $13.3 billion at December 31, 2012 and $15.4 billion at December 31, 2011. The guaranty fund contributions held in one of the IEF programs may be used as collateral for CME's $5.0 billion multi-currency line of credit. The consolidated statements of income reflect management fees earned under the IEF programs of $10.6 million and $11.2 million during 2012 and 2011, respectively. These fees are included in other revenues.

CME and The Options Clearing Corporation (OCC) have a cross-margin arrangement, whereby a clearing firm may maintain a cross-margin account in which a CME clearing firm's positions in certain equity index futures and options are combined with certain positions cleared by OCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME and OCC (note 13). Cross-margin cash, securities and letters of credit jointly held with OCC under the cross-margin agreement are reflected at 50% of the total, or CME's proportionate share per that agreement. In addition, CME has cross-margin agreements with Fixed Income Clearing Corporation (FICC) whereby the clearing firms' offsetting positions with CME and FICC are subject to reduced performance bond requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and FICC, each clearing house may reduce that firm's performance bond requirements.

Each CME clearing firm for futures and options is required to deposit and maintain specified guaranty fund contributions in the form of cash or approved securities (the base guaranty fund). In the event that performance bonds, guaranty fund contributions, and other assets required to support clearing membership of a defaulting CME clearing firm are inadequate to fulfill that clearing firm's outstanding financial obligation, the base guaranty fund for contracts other than over-the-counter credit default and interest rate swaps is available to cover potential losses after first utilizing $100.0 million of corporate contributions designated by CME to be used in the event of a default of a clearing firm for the base guaranty fund.

CME maintains a separate guaranty fund to support the clearing firms that clear over-the-counter credit default swap products. Additionally, CME maintains a separate guaranty fund to support the clearing firms that clear over-the-counter interest rate swap products. The funds for over-the-counter credit default and interest rate swaps are independent of the base guaranty fund and are isolated to clearing firms for products in the respective asset class. Each clearing firm for cleared over-the-counter credit default swaps and cleared over-the-counter interest rate swaps is required to deposit and maintain specified guaranty fund contributions in the form of cash or approved securities. In the event that performance bonds, guaranty fund contributions and other assets required to support clearing membership of a defaulting clearing firm for cleared over-the-counter credit default swap contracts are inadequate to fulfill that clearing firm's outstanding financial obligation, the credit default swaps contracts guaranty fund is available to cover potential losses after first utilizing corporate contributions designated by CME to be used in the event of default of a cleared over-the-counter credit default swap clearing firm, which is equal to the greater of $50.0 million and 5% of the credit default swap guaranty fund, up to a maximum of $100.0 million. In the event that performance bonds, guaranty fund contributions and other assets required to support clearing membership of a defaulting clearing firm for cleared over-the-counter interest rate swap contracts are inadequate to fulfill that clearing firm's outstanding financial obligation, the interest rate swaps contracts guaranty fund is available to cover potential losses after first utilizing $100.0 million of corporate contributions designated by CME to be used in the event of a default of a cleared over-the-counter interest rate swap clearing firm.

CME maintains a 364-day multi-currency line of credit with a consortium of domestic and international banks to be used in certain situations by CME. CME may use the proceeds to provide temporary liquidity in the unlikely event of a clearing firm default, in the event of a liquidity constraint or default by a depositary (custodian of the collateral), or in the event of a temporary disruption with the payments system that would delay payment of settlement variation between CME and its clearing firms. Clearing firm guaranty fund contributions received in the form of U.S. Treasury securities, U.S. government agency securities or money market mutual funds as well as the performance bond assets of a defaulting firm can be used to collateralize the facility. The line of credit provides for borrowings of up to $5.0 billion. At December 31, 2012, guaranty fund contributions available for CME clearing firms was $4.8 billion. CME has the option to request an increase in the line from $5.0 billion to $7.0 billion, subject to the approval of participating banks. In addition to the 364-day fully secured, multi-currency line of credit, the company also has the option to use CME Group's $1.8 billion multi-currency revolving senior credit facility to provide liquidity for the clearing house in the unlikely event of default.

CME is required under the Commodity Exchange Act in the United States to segregate cash and securities deposited by clearing firms on behalf of their customers. In addition, CME requires segregation of all funds deposited by its clearing firms from operating funds.

Cash and non-cash deposits held as performance bonds and guaranty fund contributions at fair value at December 31 were as follows:

	2012		2011	
(in millions)	**Cash**	**Non-Cash Deposits and IEF Funds**	**Cash**	**Non-Cash Deposits and IEF Funds**
Performance bonds	$ 5,584.9	$ 76,980.6	$ 8,077.5	$ 80,250.7
Guaranty fund contributions	924.9	4,389.0	1,156.3	3,869.8
Cross-margin arrangements	—	83.1	60.0	202.9
Performance collateral for delivery	4.1	—	—	—
Total	$ 6,513.9	$ 81,452.7	$ 9,293.8	$ 84,323.4

Performance bonds and guaranty fund contributions include collateral for clearing firms for futures, options, cleared over-the-counter credit default swaps and cleared over-the-counter interest rate swaps.

Cash performance bonds includes intraday settlement that is owed to the clearing firms and paid the following business day. The balance of intraday settlements was $175.9 million at December 31, 2012 and $120.9 million at December 31, 2011. These amounts may be invested on an overnight basis and are offset by an equal liability owed to clearing firms.

In addition to cash, securities and other non-cash deposits, irrevocable letters of credit may be used as performance bond deposits. At December 31, 2012 and 2011, these letters of credit, which are not included in the accompanying consolidated balance sheets, were $4.2 billion and $4.2 billion, respectively.

Cash, securities and letters of credit posted as performance bonds are only available to meet the financial obligations of that clearing firm to CME.

7. PROPERTY

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

(in millions)	2012	2011	Estimated Useful Life
Land and land improvements	$ 9.9	$ 9.8	10 - 20 years (1)
Building and building improvements	231.3	184.1	3 - 39 years
Leasehold improvements	200.3	196.1	3 - 24 years
Furniture, fixtures and equipment	301.4	283.3	2 - 7 years
Software and software development costs	228.8	212.0	2 - 4 years
Total property	971.7	885.3	
Less accumulated depreciation and amortization	(521.2)	(448.1)	
Property, net	$ 450.5	$ 437.2	

(1) Estimated useful life applies only to land improvements.

8. DEBT

CME maintains a 364-day multi-currency line of credit with a consortium of domestic and international banks to be used in certain situations. CME may use the proceeds to provide temporary liquidity in the unlikely event of a clearing firm default, in the event of a liquidity constraint or default by a depositary (custodian for our collateral), or in the event of a temporary disruption with the payments system that would delay payment of settlement variation between CME and its clearing firms. Clearing firm guaranty fund contributions received in the form of U.S. Treasury securities, U.S. government agency securities or money market mutual funds as well as the performance bond assets of a defaulting firm can be used to collateralize the facility. At December 31, 2012, guaranty fund collateral available was $4.8 billion. The line of credit provides for borrowings of up to $5.0 billion. CME has the option to request an increase in the line from $5.0 billion to $7.0 billion, subject to the approval of participating banks. Throughout 2011 and 2012, the company did not borrow any funds against this facility. However, in order to ensure that the facility would operate as intended, CME periodically draws down nominal amounts of funds against the line of credit, and immediately repays the amounts borrowed. In addition to the 364-day multi-currency line of credit, CME also has the option to use CME Group's $1.8 billion multi-currency revolving senior credit facility to provide liquidity for clearing operations in the unlikely event of default in certain circumstances. In addition, the 364-day multi-currency line of credit contains a requirement that CME remain in compliance with a consolidated tangible net worth test, defined as CME consolidated shareholder's equity less intangible assets (as defined in the line of credit agreement) of not less than $625.0 million. In the event that CME elects to increase the facility, the minimum consolidated tangible net worth test would increase ratably up to $875.0 million.

CME maintains an intercompany line of credit agreement with CME Group. CME may use the proceeds for general operating expenses of CME and its subsidiaries. The line of credit provides for borrowings of up to $400.0 million. The agreement expires on January 11, 2014. The company has the option to request an increase in the line of credit from $400.0 million up to $500.0 million. As of December 31, 2012, the company did not borrow against this facility.

9. INCOME TAXES

The income tax provision consisted of the following for the years ended December 31. The company is subject to regulation under a wide variety of U.S., federal, state and foreign tax laws and regulations.

(in millions)	2012	2011
Current:		
Federal	$ 242.0	$ 286.2
State	47.5	53.4
Foreign	0.1	—
Total	289.6	339.6
Deferred:		
Federal	(1.8)	(15.9)
State	(0.8)	10.4
Foreign	0.6	(0.5)
Total	(2.0)	(6.0)
Total Income Tax Provision	$ 287.6	$ 333.6

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

	2012	2011
Statutory U.S. federal tax rate	35.0%	35.0%
State taxes, net of federal benefit	4.2	5.3
Impact of uncertain tax positions	0.8	(1.0)
Decrease in domestic valuation allowance	—	(1.0)
Other, net	0.4	(0.1)
Effective Tax Rate	40.4%	38.2%

At December 31, net deferred income tax assets (liabilities) consisted of the following:

(in millions)	2012	2011
Current Deferred Income Tax Assets:		
Stock-based compensation	$ 12.9	$ 12.9
Accrued expenses	7.0	6.9
Total current deferred income tax assets	19.9	19.8
Current Deferred Income Tax Liabilities:		
Unrealized gain on securities	(0.3)	(0.3)
Total current deferred income tax liabilities	(0.3)	(0.3)
Net Current Deferred Income Tax Assets	$ 19.6	$ 19.5
Non-Current Deferred Income Tax Assets:		
Stock-based compensation	$ 39.7	$ 34.1
Deferred compensation	4.2	7.6
Accrued expenses	17.3	15.4
Realized loss on securities	1.1	10.3
Deferred rent	19.1	19.3
Other	12.5	3.1
Subtotal	93.9	89.8
Valuation allowance	(0.8)	—
Total non-current deferred income tax assets	93.1	89.8
Non-Current Deferred Income Tax Liabilities:		
Property	(3.7)	(10.8)
Total non-current deferred income tax liabilities	(3.7)	(10.8)
Net Non-Current Deferred Income Tax Assets	$ 89.4	$ 79.0

At December 31, 2012 and 2011, net current deferred income tax assets were included in other current assets in the consolidated balance sheets. At December 31, 2012 and 2011, net non-current deferred income tax assets were included in other assets in the consolidated balance sheets.

A valuation allowance is recorded when it is more-likely-than-not that some portion or all of the deferred income tax assets may not be realized. The ultimate realization of the deferred income tax assets depends on the ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions.

At December 31, 2012 and 2011, the company had gross domestic and foreign income tax loss carry forwards of $31.5 million and $1.8 million, respectively. These amounts primarily relate to the losses from the acquisition of Pivot, Inc. in 2012. At December 31, 2012, the company has determined that a portion of the net operating loss deferred tax assets were not more-likely-than-not to be realized and a valuation allowance of $0.8 million has been provided. During 2011, the company determined that it was more-likely-than-not to utilize the tax loss carry forwards, and no valuation allowance was provided as of December 31, 2011.

The following is a summary of the company’s unrecognized tax benefits:

(in millions)	2012	2011
Gross unrecognized tax benefits	30.1	27.1
Unrecognized tax benefits, net of tax impacts in other jurisdictions	20.0	18.6
Unrecognized interest and penalties related to uncertain tax positions	13.5	9.6
Interest and penalties recognized in the consolidated statements of income	4.2	1.1

The company classifies interest and penalties related to uncertain tax positions in income tax provision. The company believes it is reasonably possible that within the next twelve months, unrecognized domestic tax benefits will not change by a significant amount.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in millions)	2012	2011
Balance at January 1	$ 27.1	$ 41.0
Additions based on tax positions related to the current year	5.3	6.0
Additions for tax positions of prior years	1.6	0.6
Reductions for tax positions of prior years	(3.9)	(18.3)
Settlements with taxing authorities	—	(2.2)
Balance at December 31	$ 30.1	$ 27.1

The company is subject to U.S. federal income tax as well as income taxes in Illinois and other state and foreign jurisdictions. As of December 31, 2012, substantially all federal and state income tax matters had been concluded through 2007 and 2004, respectively.

10. EMPLOYEE BENEFIT PLANS

Pension Plan. CME maintains a non-contributory defined benefit cash balance pension plan for eligible employees. CME's plan provides for a contribution to the cash balance account based on age and earnings and includes salary and cash bonuses in the definition of earnings. Employees who have completed a continuous 12-month period of employment and have reached the age of 21 are eligible to participate. Participant cash balance accounts receive an interest credit equal to the greater of the one-year constant maturity yield for U.S. Treasury notes or 4.0%. Participants become vested in their accounts after three years of service. The measurement date used for the plan is December 31.

The following is a summary of the change in projected benefit obligation:

(in millions)	2012	2011
Balance at January 1	$ 148.8	$ 118.2
Service cost	16.0	13.5
Interest cost	7.9	7.4
Actuarial (gain) loss	18.5	14.4
Benefits paid	(9.6)	(4.7)
Balance at December 31	$ 181.6	$ 148.8

The accumulated benefit obligation at December 31, 2012 and 2011 was $158.8 million and $130.3 million, respectively.

The following is a summary of the change in the fair value of plan assets:

(in millions)	2012	2011
Balance at January 1	$ 149.1	$ 121.3
Actual return on plan assets	16.4	4.5
Employer contributions	28.0	28.0
Benefits paid	(9.6)	(4.7)
Balance at December 31	$ 183.9	$ 149.1

The plan assets are classified into a fair value hierarchy in their entirety based on the lowest level of input that is significant to each asset or liability's fair value measurement. Valuation techniques for level 2 assets use significant observable inputs such as quoted prices for similar assets, quoted market prices in inactive markets and other inputs that are observable or can be supported by observable market data. The fair value of each major category of plan assets as of December 31 is indicated below.

(in millions)	**2012**	**2011**
Level 2:		
Money market funds	$ 29.4	$ 29.3
Mutual funds:		
U.S. equity	47.4	35.3
Foreign equity	49.1	33.3
Fixed income	50.8	45.3
Commodity	7.2	5.9
Total	$ 183.9	$ 149.1

At December 31, 2012 and 2011, the fair value of pension plan assets exceeded the projected benefit obligation by $2.3 million and $0.3 million, respectively. This excess was recorded as a non-current pension asset.

CME's funding goal is to have its pension plan 100% funded at each year-end on a projected benefit obligation basis, while also satisfying any minimum required contribution and obtaining the maximum tax deduction. Year-end 2012 assumptions have been used to project the assets and liabilities from December 31, 2012 to December 31, 2013. The result of this projection is that estimated liabilities would exceed the fair value of the plan assets at December 31, 2013 by approximately $19.9 million. Accordingly, it is estimated that a $19.9 million contribution in 2013 will allow the company to meet its funding goal.

The components of net pension expense and the assumptions used to determine the end-of-year projected benefit obligation and net pension expense in aggregate are indicated below:

(in millions)	**2012**	**2011**
Components of Net Pension Expense:		
Service cost	$ 16.0	$ 13.5
Interest cost	7.9	7.4
Expected return on plan assets	(11.0)	(9.0)
Recognized net actuarial loss	2.5	1.5
Net Pension Expense	$ 15.4	$ 13.4
Assumptions Used to Determine End-of-Year Benefit Obligation:		
Discount rate	4.10%	5.00%
Rate of compensation increase	5.00	5.00
Cash balance interest crediting rate	4.00	4.00
Assumptions Used to Determine Net Pension Expense:		
Discount rate	5.00%	5.70%
Rate of compensation increase	5.00	5.00
Expected return on plan assets	7.75	7.75
Interest crediting rate	4.00	4.00

The discount rate for the plan was determined based on the market value of a theoretical settlement bond portfolio. This portfolio consisted of U.S. dollar denominated Aa-rated corporate bonds across the full maturity spectrum. A single equivalent discount rate was determined to align the present value of the required cash flow with that settlement value. The resulting discount rate was reflective of both the current interest rate environment and the plan's distinct liability characteristics.

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

The overall objective of the plan is to meet required long-term rates of return in order to meet future benefit payments. The component of the investment policy for the plan that has the most significant impact on returns is the asset mix. The asset mix has a minimum and maximum range depending on asset class. The plan assets are diversified to minimize the risk of large losses by any one or more individual assets. Such diversification is accomplished, in part, through the selection of asset mix and investment management. The asset allocation for the plan, by asset category, at December 31 was as follows:

	2012	2011
Fixed income	27.6%	30.4%
U.S. equity	25.8	23.6
Foreign equity	26.7	22.3
Money market funds	16.0	19.7
Commodity	3.9	4.0

The range of target allocation percentages for 2013 is as follows:

	Minimum	Maximum
Fixed income	33.0%	45.0%
U.S. equity	23.5	35.0
Foreign equity	23.5	35.0
Commodity	2.0	8.0

At times, the company may determine that it is necessary to place some assets in cash equivalent investments in order to pay expected plan liabilities. Given this, the actual asset allocation for the plan may not fall within the target allocation ranges from time to time.

According to the plan's investment policy, the plan is not allowed to invest in securities that compromise independence, short sales of securities directly owned by the plan, securities purchased on margin or other uses of borrowed funds, derivatives not used for hedging purposes, restricted stock or illiquid securities or any other transaction prohibited by employment laws. If the plan directly invests in short-term and long-term debt obligations, the investments are limited to obligations rated at the highest rating category by Standard & Poor's (S&P) or Moody's.

The balance and activity of the prior service costs and actuarial losses, which are included in accumulated other comprehensive income (loss), for 2012 are as follows:

(in millions)	Prior Service Costs	Actuarial Loss
Balance at January 1	$ 0.2	$ 46.3
Unrecognized loss	—	13.0
Recognized as a component of net pension expense	—	(2.5)
Balance at December 31	$ 0.2	$ 56.8

The company expects to amortize $4.0 million of actuarial loss from accumulated other comprehensive income (loss) into net periodic benefit costs in 2013.

At December 31, 2012, anticipated benefit payments from the plan in future years are as follows:

(in millions)		
2013	$	11.5
2014		12.7
2015		13.3
2016		14.7
2017		15.6
2018-2022		96.3

Savings Plan. CME maintains a defined contribution savings plan pursuant to Section 401(k) of the Internal Revenue Code, whereby all U.S. employees are participants and have the option to contribute to this plan. CME matches employee contributions up to 3% of the employee's base salary and may make additional discretionary contributions. Total expense for the savings plan was $5.4 million and $6.0 million in 2012 and 2011, respectively.

Non-Qualified Plans. CME maintains non-qualified plans, under which participants may make assumed investment choices with respect to amounts contributed on their behalf. Although not required to do so, CME invests such contributions in assets that mirror the assumed investment choices. The balances in these plans are subject to the claims of general creditors of the company and totaled $34.1 million and $30.9 million at December 31, 2012 and 2011, respectively. Although the value of the plans is recorded as an asset in marketable securities in the consolidated balance sheets, there is an equal and offsetting liability. The investment results of these plans have no impact on net income as the investment results are recorded in equal amounts to both investment income and compensation and benefits expense.

Supplemental Savings Plan. CME maintains a supplemental plan to provide benefits for employees who have been impacted by statutory limits under the provisions of the qualified pension and savings plan. Employees in this plan are subject to the vesting requirements of the underlying qualified plans.

Deferred Compensation Plan. A deferred compensation plan is maintained by CME, under which eligible officers and members of the board of directors may contribute a percentage of their compensation and defer income taxes thereon until the time of distribution.

11. COMMITMENTS

Operating Leases. CME has entered into various non-cancellable operating lease agreements, with the most significant being as follows:

- In April 2012, CBOT sold two buildings in Chicago at 141 W. Jackson. CME leased back a portion of the property. The operating lease, which has an initial lease term ending on April 30, 2027, contains four consecutive renewal options for five years.
- In July 2008, the company renegotiated the operating lease for its headquarters at 20 South Wacker Drive in Chicago. The lease, which has an initial term ending on November 30, 2022, contains two consecutive renewal options for seven and ten years and a contraction option which allows the company to reduce its occupied space after November 30, 2018. In addition, the company may exercise a lease expansion option in December 2017.
- In August 2006, the company entered into an operating lease for additional office space in Chicago. The initial lease term, which became effective on August 10, 2006, terminates on November 30, 2023. The lease contains two 5-year renewal options beginning in 2023.

At December 31, 2012, future minimum payments under non-cancellable operating leases were payable as follows (in millions):

Year		
2013	$	22.8
2014		23.9
2015		24.8
2016		25.3
2017		25.9
Thereafter		143.8
Total	$	266.5

Total rental expense, including equipment rental, was $33.4 million and $29.0 million in 2012 and 2011, respectively.

Other Commitments. Commitments include material contractual purchase obligations that are non-cancellable. Purchase obligations relate to advertising, licensing, hardware and maintenance as well as telecommunication services. At December 31, 2012, future minimum payments due under purchase obligations were payable as follows (in millions):

Year		
2013	$	16.6
2014		11.9
2015		5.8
2016		1.0
2017		0.5
Thereafter		1.0
Total	$	36.8

12. CONTINGENCIES

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

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

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

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

A number of lawsuits were filed in federal court in New York on behalf of all commodity account holders or customers of MF Global who had not received a return of 100% of their funds. These matters have been consolidated into a single action in federal court in New York, and a consolidated amended class action complaint was filed on November 5, 2012. The class action complaint alleges that CME violated the Commodity Exchange Act (CEA), aided and abetted violations of the CEA by other defendants, and aided and abetted a breach of fiduciary duty by certain officers and directors of MF Global. The class complaint also alleges that CME Group aided and abetted CME's violation of the CEA. The complaint does not allege the amount of damages sought, but rather seeks compensatory and exemplary damages to be determined at trial. Based on the initial analysis of the class complaint, the company believes that it has strong legal and factual defenses to the claims. In addition to the class complaint, the company is aware of two plaintiffs who intend to pursue their claims individually. Given that these matters are in the very early stage, at this time the company is unable to estimate the reasonably possible loss or range of reasonably possible loss in the unlikely event it was found to be liable in these matters.

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

In addition, the company is a defendant in, and has potential for, various other legal proceedings arising from its regular business activities. While the ultimate results of such proceedings against the company cannot be predicted with certainty, the company believes that the resolution of any of these matters on an individual basis will not have a material impact on its consolidated financial position or results of operations. At December 31, 2012 and 2011, the company had accrued $5.2 million and $5.3 million, respectively, for legal and regulatory matters that were probable and estimable.

Intellectual Property Indemnifications. Certain agreements with customers and other third parties related to accessing the CME Globex platform, the CME ClearPort platform, and/or the Clearing 21 platform; utilizing market data services; licensing CME SPAN software; and calculating indexes as a service provider and licensing indexes as the basis of financial products may contain indemnifications from intellectual property claims that may be made against them as a result of their use of the applicable products and/or services. The potential future claims relating to these indemnifications cannot be estimated and, therefore, no liability has been recorded.

13. GUARANTEES

Mutual Offset Agreement. CME and Singapore Exchange Limited (SGX) have a mutual offset agreement with a current term through October 2013. The term of the agreement will automatically renew for a one-year period unless either party provides advance notice of their intent to terminate. CME can maintain collateral in the form of U.S. Treasury securities or irrevocable letters of credit. At December 31, 2012, CME was contingently liable to SGX on irrevocable letters of credit totaling $181.0 million. Regardless of the collateral, CME guarantees all cleared transactions submitted through SGX and would initiate procedures designed to satisfy these financial obligations in the event of a default, such as the use of performance bonds and guaranty fund contributions of the defaulting clearing firm.

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

A cross-margin agreement exists with CME and Fixed Income Clearing Corp (FICC) whereby the clearing firms' offsetting positions with CME are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and FICC, each clearing house may reduce the firm's performance bond requirement. In the event of a firm default, the total liquidation net gain or loss on the firm's offsetting open positions and the proceeds from the liquidation of the performance bond collateral held by each clearing house's supporting offsetting positions would be divided evenly between CME and FICC. Additionally, if, after liquidation of all the positions and collateral of the defaulting firm at each respective clearing organization, and taking into account any cross-margining loss sharing payments, any of the participating clearing organizations has a remaining liquidating surplus, and any other participating clearing organization has a remaining liquidating deficit, any additional surplus from the liquidation would be shared with the other clearing house to the extent that it has a remaining liquidating deficit. Any remaining surplus funds would be passed to the bankruptcy trustee.

Family Farmer and Rancher Protection Fund. In April 2012, the company established the Family Farmer and Rancher Protection Fund (the Fund). The Fund is designed to provide payments, up to certain maximum levels, to family farmers, ranchers and other agricultural industry participants who use CME Group agricultural products and who suffer losses to their segregated account balances due to their CME clearing member becoming insolvent. Under the terms of the Fund, farmers and ranchers are eligible for up to $25,000 per participant. Farming and ranching cooperatives are eligible for up to $100,000 per cooperative. The Fund has an aggregate maximum payment amount of $100.0 million. If payments to participants were to exceed this amount, payments would be pro-rated. Clearing members and customers must register in advance with the company and provide certain documentation in order to substantiate their eligibility.

Peregrine Financial Group, Inc. (PFG) filed for bankruptcy protection on July 10, 2012. PFG was not one of CME's clearing members and its customers had not registered for the Fund. Accordingly, they were not technically eligible for payments from the Fund. However, because the Fund was newly implemented and because PFG's customers included many agricultural industry participants for whom the program was designed, the company decided to waive certain terms and conditions of the Fund, solely in connection with the PFG bankruptcy, so that otherwise eligible family farmers, ranchers and agricultural cooperatives could apply for and receive benefits from CME. Based on the number of such PFG customers who applied and the estimated size of their claims, the company has recorded a liability in the amount of $2.1 million at December 31, 2012.

14. FAIR VALUE MEASUREMENTS

In general, the company uses quoted prices in active markets for identical assets to determine the fair value of marketable securities. Level 1 assets generally include exchange-traded mutual funds. If quoted prices are not available to determine fair value, the company uses other inputs that are directly observable. Assets included in level 2 generally consist of asset-backed securities. Asset-backed securities are measured at fair value based on matrix pricing using prices of similar securities with similar inputs such as maturity dates, interest rates and credit ratings.

There were no level 3 assets that were valued on a recurring basis as of December 31, 2012 and 2011 or during the years then ended.

Financial assets and liabilities recorded in the consolidated balance sheet as of December 31, 2012 and 2011 were classified in their entirety based on the lowest level of input that was significant to each asset or liability's fair value measurement.

	At December 31, 2012		
(in millions)	Level 1	Level 2	Total
Assets at Fair Value:			
Marketable Securities:			
Mutual funds	$ 34.1	$ —	$ 34.1
Asset-backed securities	—	0.4	0.4
Total Assets at Fair Value	$ 34.1	$ 0.4	$ 34.5

	At December 31, 2011		
(in millions)	Level 1	Level 2	Total
Assets at Fair Value:			
Marketable Securities:			
Mutual funds	$ 30.9	$ —	$ 30.9
Asset-backed securities	—	1.0	1.0
Total Assets at Fair Value	$ 30.9	$ 1.0	$ 31.9

There were no transfers of assets between level 1 and level 2 during 2012 and 2011. There were no assets or liabilities valued at fair value on a nonrecurring basis during 2012.

15. REGULATORY REQUIREMENTS

CME is regulated by the CFTC as a DCO and a DCM. Beginning in 2012, DCOs and DCMs are required to maintain capital as defined by the CFTC in an amount at least equal to one year of projected operating expenses as well as cash, liquid securities, or a line of credit at least equal to six months of projected operating expenses. CME is in compliance with the DCO and DCM financial requirements.

16. SUBSEQUENT EVENTS

The company has evaluated subsequent events through March 21, 2013, the date the financial statements were available to be issued, and has determined that there were no subsequent events that required disclosure.