

CME GROUP INC.

Form 10-Q

November 08, 2013

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

- OR -

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

For the transition period from _____ to _____

Commission file number 001-31553

CME GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-4459170

(I.R.S. Employer
Identification No.)

20 South Wacker Drive, Chicago, Illinois

(Address of principal executive offices)

(312) 930-1000

(Registrant's telephone number, including area code)

60606

(Zip Code)

Not Applicable

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

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares outstanding of each of the registrant's classes of common stock as of October 16, 2013 was as follows: 335,352,455 shares of Class A common stock, \$0.01 par value; 625 shares of Class B common stock, Class

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

B-1, \$0.01 par value; 813 shares of Class B common stock, Class B-2, \$0.01 par value; 1,287 shares of Class B common stock, Class B-3, \$0.01 par value; and 413 shares of Class B common stock, Class B-4, \$0.01 par value.

Table of Contents

CME GROUP INC.
FORM 10-Q
INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
Item 1. <u>Financial Statements</u>	<u>5</u>
<u>Consolidated Balance Sheets at September 30, 2013 and December 31, 2012</u>	<u>5</u>
<u>Consolidated Statements of Income for the Quarters and Nine Months Ended September 30, 2013 and 2012</u>	<u>6</u>
<u>Consolidated Statements of Comprehensive Income for the Quarters and Nine Months Ended September 30, 2013 and 2012</u>	<u>7</u>
<u>Consolidated Statements of Equity for the Nine Months Ended September 30, 2013 and 2012</u>	<u>8</u>
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012</u>	<u>10</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>11</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>29</u>
Item 4. <u>Controls and Procedures</u>	<u>29</u>
<u>PART II. OTHER INFORMATION</u>	<u>29</u>
Item 1. <u>Legal Proceedings</u>	<u>29</u>
Item 1A. <u>Risk Factors</u>	<u>29</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>30</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>30</u>
Item 6. <u>Exhibits</u>	<u>31</u>
<u>SIGNATURES</u>	<u>32</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Certain Terms

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

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

Information about Contract Volume and Average Rate per Contract

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

Trademark Information

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

Forward-Looking Statements

From time to time, in this Quarterly Report on Form 10-Q as well as in other written reports and verbal statements, we discuss our expectations regarding future performance. These forward-looking statements are identified by their use of terms and phrases such as “believe,” “anticipate,” “could,” “estimate,” “intend,” “may,” “plan,” “expect” and similar expressions, including references to assumptions. These forward-looking statements are based on currently available competitive, financial and economic data, current expectations, estimates, forecasts and projections about the industries in which we operate and management's beliefs and assumptions. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any forward-looking statements. We want to caution you not to place undue reliance on any forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Among the factors that might affect our performance are:

- increasing competition by foreign and domestic entities, including increased competition from new entrants into our markets and consolidation of existing entities;
- our ability to keep pace with rapid technological developments, including our ability to complete the development, implementation and maintenance of the enhanced functionality required by our customers while ensuring that such technology is not vulnerable to security risks;
- our ability to continue introducing competitive new products and services on a timely, cost-effective basis, including through our electronic trading capabilities, and our ability to maintain the competitiveness of our existing products and services, including our ability to provide effective services to the over-the-counter market;
- our ability to adjust our fixed costs and expenses if our revenues decline;
- our ability to maintain existing customers, develop strategic relationships and attract new customers;
- our ability to expand and offer our products outside the United States;
-

changes in domestic and non-U.S. regulations, including the impact of any changes in domestic and foreign laws or government policy with respect to our industry, including any changes to regulations and policies that require increased financial and operational resources from us or our customers;

- the costs associated with protecting our intellectual property rights and our ability to operate our business without violating the intellectual property rights of others;

Table of Contents

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

changes in our rate per contract due to shifts in the mix of the products traded, the trading venue and the mix of customers (whether the customer receives member or non-member fees or participates in one of our various incentive programs) and the impact of our tiered pricing structure;

the ability of our financial safeguards package to adequately protect us from the credit risks of clearing members;

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

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

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

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

our ability to execute our growth strategy and maintain our growth effectively;

our ability to manage the risks and control the costs associated with our acquisition, investment and alliance strategy;

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

industry and customer consolidation;

decreases in trading and clearing activity;

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

the unfavorable resolution of material legal proceedings; and

the seasonality of the futures business.

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

Table of Contents

ITEM 1. FINANCIAL STATEMENTS

CME GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

(unaudited)

	September 30, 2013	December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	\$2,065.0	\$1,604.7
Marketable securities	65.0	56.6
Accounts receivable, net of allowance of \$1.5 and \$0.8	311.9	267.5
Other current assets (includes \$40.0 in restricted cash)	413.4	204.3
Cash performance bonds and guaranty fund contributions	16,192.8	6,584.8
Total current assets	19,048.1	8,717.9
Property, net of accumulated depreciation and amortization of \$688.5 and \$640.4	714.2	724.0
Intangible assets—trading products	17,175.3	17,175.3
Intangible assets—other, net	2,776.2	2,853.7
Goodwill	7,569.0	7,566.9
Other assets (includes \$72.8 and \$73.0 in restricted cash)	1,697.1	1,825.4
Total Assets	\$48,979.9	\$38,863.2
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$41.0	\$41.7
Short-term debt	749.7	749.7
Other current liabilities	229.7	240.7
Cash performance bonds and guaranty fund contributions	16,192.8	6,584.8
Total current liabilities	17,213.2	7,616.9
Long-term debt	2,107.0	2,106.8
Deferred income tax liabilities, net	7,306.5	7,413.3
Other liabilities	375.3	220.5
Total Liabilities	27,002.0	17,357.5
Redeemable non-controlling interest	—	80.8
CME Group Shareholders' Equity:		
Preferred stock, \$0.01 par value, 10,000 shares authorized as of September 30, 2013 and December 31, 2012; none issued or outstanding	—	—
Class A common stock, \$0.01 par value, 1,000,000 shares authorized; 333,438 and 331,832 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	3.3	3.3
Class B common stock, \$0.01 par value, 3 shares authorized, issued and outstanding	—	—
Additional paid-in capital	17,465.3	17,213.1
Retained earnings	4,326.5	3,993.4
Accumulated other comprehensive income (loss)	177.2	209.3
Total CME Group shareholders' equity	21,972.3	21,419.1
Non-controlling interest	5.6	5.8

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

Total Equity	21,977.9	21,424.9
Total Liabilities and Equity	\$48,979.9	\$38,863.2

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CME GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues				
Clearing and transaction fees	\$597.9	\$562.2	\$1,883.6	\$1,826.9
Market data and information services	78.6	82.8	238.9	307.8
Access and communication fees	20.3	23.2	62.4	65.5
Other	17.8	15.0	64.4	53.5
Total Revenues	714.6	683.2	2,249.3	2,253.7
Expenses				
Compensation and benefits	134.0	117.5	392.3	383.7
Communications	9.2	9.8	26.7	30.8
Technology support services	13.4	11.8	39.6	36.7
Professional fees and outside services	35.6	26.7	85.4	99.2
Amortization of purchased intangibles	25.6	26.2	77.4	90.3
Depreciation and amortization	35.0	34.5	100.8	103.0
Occupancy and building operations	19.2	18.8	56.7	57.8
Licensing and other fee agreements	25.7	19.2	73.8	63.2
Other	16.4	22.7	82.8	72.6
Total Expenses	314.1	287.2	935.5	937.3
Operating Income	400.5	396.0	1,313.8	1,316.4
Non-Operating Income (Expense)				
Investment income	12.6	13.1	34.9	31.3
Interest and other borrowing costs	(34.6)	(30.2)	(112.8)	(88.2)
Equity in net gains (losses) of unconsolidated subsidiaries	20.4	16.5	58.1	14.8
Other non-operating income (expense)	—	0.4	—	65.6
Total Non-Operating	(1.6)	(0.2)	(19.8)	23.5
Income before Income Taxes	398.9	395.8	1,294.0	1,339.9
Income tax provision	162.6	176.9	509.0	601.3
Net Income	236.3	218.9	785.0	738.6
Less: net income (loss) attributable to non-controlling interests	(0.4)	0.9	1.3	9.1
Net Income Attributable to CME Group	\$236.7	\$218.0	\$783.7	\$729.5
Earnings per Common Share Attributable to CME Group:				
Basic	\$0.71	\$0.66	\$2.36	\$2.20
Diluted	0.71	0.66	2.35	2.20
Weighted Average Number of Common Shares:				
Basic	332,763	331,377	332,355	331,091
Diluted	334,674	332,458	334,055	332,147

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CME GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$236.3	\$218.9	\$785.0	\$738.6
Other comprehensive income, net of tax:				
Investment securities:				
Net unrealized holding gains (losses) arising during the period	(18.0)	) 109.5	(138.9)	) 84.4
Reclassification of gain on sale of security	(0.7)	) —	(0.7)) —
Income tax benefit (expense)	17.1	(73.9)	) 23.0	(58.8)
Investment securities, net	(1.6)	) 35.6	(116.6)	) 25.6
Defined benefit plans:				
Net change in defined benefit plans arising during the period	(0.2)	) —	0.9	0.5
Amortization of net actuarial (gains) losses included in compensation and benefits expense	0.8	0.7	2.3	1.9
Income tax benefit (expense)	(0.6)	) (0.3)	) (1.5)	) (0.9)
Defined benefit plans, net	—	0.4	1.7	1.5
Derivative investments:				
Net unrealized holding gains (losses) arising during the period	43.5	(54.4)	) 128.8	(54.4)
Amortization of effective portion of loss on cash flow hedges included in interest expense	0.5	0.2	1.9	0.4
Income tax benefit (expense)	(17.4)	) 19.8	(49.0)	) 19.8
Derivative investments, net	26.6	(34.4)	) 81.7	(34.2)
Foreign currency translation:				
Foreign currency translation adjustments	(1.5)	) 5.9	1.7	5.5
Reclassification adjustment for loss included in net income	—	—	—	18.4
Income tax benefit (expense)	0.5	(2.1)	) (0.6)	) (8.7)
Foreign currency translation, net	(1.0)	) 3.8	1.1	15.2
Other comprehensive income, net of tax	24.0	5.4	(32.1)	) 8.1
Comprehensive income	260.3	224.3	752.9	746.7
Less: comprehensive income (loss) attributable to redeemable non-controlling interest	(0.4)	) 0.9	1.3	9.1
Comprehensive Income Attributable to CME Group	\$260.7	\$223.4	\$751.6	\$737.6

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CME GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

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

(unaudited)

	Class A Common Stock (Shares)	Class B Common Stock (Shares)	Common Stock and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total CME Group Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2012	331,832	3	\$17,216.4	\$3,993.4	\$ 209.3	\$21,419.1	\$ 5.8	\$21,424.9
Net income attributable to CME Group and non-controlling interest				783.7		783.7	(0.2)	783.5
Other comprehensive income attributable to CME Group					(32.1)	(32.1)		(32.1)
Dividends on common stock of \$1.35 per share				(450.6)		(450.6)		(450.6)
Tax benefits and gain related to Index Services non-controlling purchase			167.9			167.9		167.9
Exercise of stock options	1,155		53.6			53.6		53.6
Excess tax benefits from option exercises and restricted stock vesting			5.4			5.4		5.4
Vesting of issued restricted Class A common stock	415		(17.9)			(17.9)		(17.9)
Shares issued to Board of Directors	27		2.1			2.1		2.1
Shares issued under Employee Stock Purchase Plan	9		0.7			0.7		0.7
Stock-based compensation			40.4			40.4		40.4
Balance at September 30, 2013	333,438	3	\$17,468.6	\$4,326.5	\$ 177.2	\$21,972.3	\$ 5.6	\$21,977.9

See accompanying notes to unaudited consolidated financial statements.

8

Table of Contents

CME GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY (continued)

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

(unaudited)

	Class A Common Stock (Shares)	Class B Common Stock (Shares)	Common Stock and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total CME Group Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2011	330,653	3	\$17,115.8	\$4,324.6	\$ 111.6	\$21,552.0	\$ —	\$21,552.0
Net income attributable to CME Group				729.5		729.5		729.5
Other comprehensive income attributable to CME Group					8.1	8.1		8.1
Dividends on common stock of \$1.94 per share				(645.5)		(645.5)		(645.5)
Exercise of stock options	632		19.2			19.2		19.2
Excess tax benefits from option exercises and restricted stock vesting			3.7			3.7		3.7
Vesting of issued restricted Class A common stock	348		(9.8)			(9.8)		(9.8)
Shares issued to Board of Directors	40		2.1			2.1		2.1
Shares issued under Employee Stock Purchase Plan	13		0.7			0.7		0.7
Stock-based compensation			48.8			48.8		48.8
Balance at September 30, 2012	331,686	3	\$17,180.5	\$4,408.6	\$ 119.7	\$21,708.8	\$ —	\$21,708.8

See accompanying notes to unaudited consolidated financial statements.

Table of ContentsCME GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

	Nine Months Ended September 30,	
	2013	2012
Cash Flows from Operating Activities		
Net income	\$785.0	\$738.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	40.4	48.8
Amortization of purchased intangibles	77.4	90.3
Depreciation and amortization	100.8	103.0
Gain on contribution of Dow Jones Index business	—	(79.8)
Loss on sale of Credit Market Analysis Ltd.	—	19.9
Equity in net (gains) losses of unconsolidated subsidiaries	(58.1)	(14.8)
Deferred income taxes	45.1	67.6
Change in:		
Accounts receivable	(45.0)	(32.4)
Other current assets	6.9	(36.1)
Other assets	29.9	(19.2)
Accounts payable	(0.7)	14.0
Income taxes payable	(85.9)	23.3
Other current liabilities	(8.7)	(41.7)
Other liabilities	4.3	12.0
Other	7.2	3.7
Net Cash Provided by Operating Activities	898.6	897.2
Cash Flows from Investing Activities		
Proceeds from maturities and sale of available-for-sale marketable securities	27.5	15.4
Purchases of available-for-sale marketable securities	(27.6)	(23.5)
Purchases of property	(94.7)	(103.9)
Proceeds from sale of building property	—	151.5
Proceeds from sale of Credit Market Analysis Ltd., net of cash sold with business	—	42.4
Investment in business ventures	—	(107.1)
Settlement of derivative related to debt issuance	127.8	(24.4)
Net Cash Provided by (Used in) Investing Activities	33.0	(49.6)
Cash Flows from Financing Activities		
Proceeds from other borrowings, net of issuance costs	748.7	747.7
Repayment of other borrowings	(750.0)	—
Cash dividends	(449.6)	(644.3)
Purchase of non-controlling interest in CME Group Index Holdings LLC	(80.0)	—
Proceeds from exercise of stock options	53.6	19.2
Excess tax benefits related to employee option exercises and restricted stock vesting	5.4	3.7
Other	0.6	0.7
Net Cash (Used in) Provided by Financing Activities	(471.3)	127.0
Net change in cash and cash equivalents	460.3	974.6

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

Cash and cash equivalents, beginning of period	1,604.7	1,042.3
Cash and Cash Equivalents, End of Period	\$2,065.0	\$2,016.9
Supplemental Disclosure of Cash Flow Information		
Income taxes paid	\$534.6	\$517.1
Interest paid	133.4	110.6
Non-cash investing activities:		
Investment in S&P/Dow Jones Indices LLC	—	878.4
See accompanying notes to unaudited consolidated financial statements.		

Table of Contents

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

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

The accompanying interim consolidated financial statements have been prepared by CME Group without audit. Certain notes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. In the opinion of management, the accompanying consolidated financial statements include all normal recurring adjustments considered necessary to present fairly the financial position of the company at September 30, 2013 and December 31, 2012 and the results of operations and cash flows for the periods indicated. Quarterly results are not necessarily indicative of results for any subsequent period.

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

2. Intangible Assets

Intangible assets consisted of the following at September 30, 2013 and December 31, 2012:

(in millions)	September 30, 2013			December 31, 2012		
	Assigned Value	Accumulated Amortization	Net Book Value	Assigned Value	Accumulated Amortization	Net Book Value
Amortizable Intangible Assets:						
Clearing firm, market data and other customer relationships	\$2,838.8	\$(539.2)	) \$2,299.6	\$2,838.8	\$(467.4)	) \$2,371.4
Lease-related intangibles	25.4	(9.6)	) 15.8	25.4	(8.2)	) 17.2
Technology-related intellectual property	29.4	(18.6)	) 10.8	29.4	(14.4)	) 15.0
Trade name	0.2	(0.2)	) —	0.2	(0.1)	) 0.1
Total amortizable intangible assets	\$2,893.8	\$(567.6)	) 2,326.2	\$2,893.8	\$(490.1)	) 2,403.7
Indefinite-Lived Intangible Assets:						
Trade names			450.0			450.0
Total intangible assets – other, net			\$2,776.2			\$2,853.7
Trading products ⁽¹⁾			\$17,175.3			\$17,175.3

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

Table of Contents

Total amortization expense for intangible assets was \$25.6 million and \$26.2 million for the quarters ended September 30, 2013 and 2012, respectively. Total amortization expense for intangible assets was \$77.4 million and \$90.3 million for the first nine months of 2013 and 2012, respectively. As of September 30, 2013, the future estimated amortization expense related to amortizable intangible assets is expected to be as follows:

(in millions)	Amortization Expense
Remainder of 2013	\$25.3
2014	101.5
2015	101.3
2016	97.9
2017	97.3
2018	96.5
Thereafter	1,806.4

3. Debt

On September 9, 2013, CME Group completed an offering of \$750.0 million of 5.30% fixed rate notes due September 2043. CME Group intends to use the net proceeds from the offering, together with cash on hand, to retire its outstanding 5.75% notes due February 2014 upon maturity.

Short-term debt consisted of the following at September 30, 2013 and December 31, 2012:

(in millions)	September 30, 2013	December 31, 2012
\$750.0 million fixed rate notes due August 2013, stated rate of 5.40%	\$—	\$749.7
\$750.0 million fixed rate notes due February 2014, stated rate of 5.75%	749.7	—
Total short-term debt	\$749.7	\$749.7

Long-term debt consisted of the following at September 30, 2013 and December 31, 2012:

(in millions)	September 30, 2013	December 31, 2012
\$750.0 million fixed rate notes due February 2014, stated rate of 5.75%	\$—	\$749.0
\$612.5 million fixed rate notes due March 2018, stated rate of 4.40% ⁽¹⁾	610.4	610.1
\$750.0 million fixed rate notes due September 2022, stated rate of 3.00% ⁽²⁾	747.9	747.7
\$750.0 million fixed rates notes due September 2043, stated rate of 5.30% ⁽³⁾	748.7	—
Total long-term debt	\$2,107.0	\$2,106.8

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

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

In August 2012, CME Group entered into a forward-starting interest rate swap agreement that modified the interest (3) obligation associated with these notes so that the interest payable on the notes effectively became fixed at a rate of 4.73%.

Long-term debt maturities, at par value, were as follows as of September 30, 2013:

(in millions)	Par Value
2014	\$—
2015	—
2016	—
2017	—
2018	612.5
Thereafter	1,500.0

Table of Contents

The fair values of the fixed rate notes due 2014, 2022 and 2043 were estimated using quoted market prices and are considered level 2 liabilities under the classification hierarchy for fair value measurements. The fair value of the fixed rate notes due 2018, which is considered a level 3 liability, was derived using a standard valuation model with market-based observable inputs including U.S. Treasury yields and interest rate spreads. For further information on the three-level classification hierarchy of fair value measurements, see note 8. At September 30, 2013, the fair values of the fixed rate notes by maturity date were as follows:

(in millions)	Fair Value
\$750.0 million fixed rate notes due February 2014, stated rate of 5.75%	\$764.0
\$612.5 million fixed rate notes due March 2018, stated rate of 4.40%	655.0
\$750.0 million fixed rate notes due September 2022, stated rate of 3.00%	721.0
\$750.0 million fixed rates notes due September 2043, stated rate of 5.30%	784.2

4. Derivative Investments

The company mitigates certain financial exposures to interest rate risk through the use of derivative financial instruments as part of its risk management program. All derivatives have been designated as cash flow hedges. In August 2012, CME Group entered into two forward-starting interest rate swap contracts, with an aggregate notional value of \$1.5 billion, to hedge the risk of changes in underlying benchmark interest rates associated with the expected issuances of fixed-rate debt. One of these swap contracts was settled in conjunction with the issuance of fixed rate debt in September 2012. The other swap contract was settled in conjunction with the issuance of the fixed rate debt in September 2013. The hedges were considered highly effective. The effective portion is included in other comprehensive income and is being amortized over the term of the debt.

The fair value and location of outstanding derivative instruments in the consolidated balance sheets as of September 30, 2013 and December 31, 2012 were as follows:

(in millions)	Balance Sheet Location	Fair Value September 30, 2013	December 31, 2012
Interest rate contract	Other liabilities	\$—	\$(1.0)

The effect of derivative instruments on the consolidated statements of income as well as accumulated other comprehensive income (OCI) within the consolidated statements of comprehensive income and consolidated statements of shareholders' equity for the nine months ended September 30, 2013 and 2012 were as follows.

	Gains (Losses) Recognized in OCI (Effective Portion)		Gains (Losses) Reclassified from Accumulated OCI (Effective Portion)			Gains (Losses) Recognized in Income (Ineffective Portion)		
(in millions)	2013	2012	Location	2013	2012	Location	2013	2012
Interest rate contracts	\$128.8	\$(54.4)	Interest and other borrowing costs	\$(1.9)	\$(0.4)	Gains (losses) on derivative investments	\$—	\$—

At September 30, 2013, the company expects to reclassify \$1.4 million of net gains on derivative instruments from accumulated other comprehensive income to net income as a net reduction in interest expense during the next twelve months.

5. Contingencies

Legal and Regulatory Matters. In 2008, Fifth Market, Inc. (Fifth Market) filed a complaint against CME Group and CME in the Delaware District Court seeking a permanent injunction against CME's Globex system and unquantified enhanced damages for what the plaintiff alleges is willful infringement of two patents, in addition to costs, expenses and attorneys' fees. The case was stayed pending the outcome of CME's request for reexamination by the U.S. Patent and Trademark Office (USPTO). The reexaminations resulted in some claims being rejected and others being confirmed. In June 2013, the court lifted the stay. The validity of the patents, however, remains subject to further review by the USPTO. 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 in the Northern District of Illinois seeking a declaratory judgment that neither CME nor CBOT infringed the Garber patent, which relates to electronic market makers, and that the patent is invalid and unenforceable. The Technology Research Group (TRG) was substituted for Mr. Garber in 2009 and TRG filed counterclaims alleging patent infringement and other related claims. In 2011, the case was dismissed with the right to reinstate pending the outcome of a reexamination by the USPTO. In August and October 2013, the USPTO issued actions

Table of Contents

resulting in the rejection of all TRG's claims completing the reexamination process. TRG may appeal the decision of the USPTO. 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 in the Eastern District of Texas alleging willful infringement of four patents relating to the company's market data and information services, 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. In 2011, the case was transferred to the Southern District of New York. Two of the original four patents were dropped from the case by Realtime. In 2012, the court entered judgment in CME's favor based on invalidity and non-infringement, which is being appealed. The USPTO conducted a parallel review of the four patents and in November 2013 ruled that the claims against CME were invalid. The decision of the USPTO is subject to appeal. 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 involves a wide range of potential outcomes. The company believes that the matters are without merit, and the company intends to defend itself vigorously against the claims. We expect the re-examinations by the USPTO in the Fifth Market, Garber and Realtime matters, including any appeals thereof, to result in a determination of the validity of the patents at issue which we expect will have an impact on the merits of the matters. Given the uncertainty of the potential outcome of the re-examinations as well as other factors which may potentially impact the resolution of these matters, at this time the company is unable to estimate the reasonably possible loss or range of reasonably possible loss in the unlikely event it were found to be liable at trial in these matters.

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. On November 6, 2013, CME announced that it has reached an agreement in principle to resolve the class action litigation. In an agreement between the trustee and CME, CME will be allowed to assert a \$29.0 million claim against MF Global based on expenses incurred by CME as a result of MF Global's bankruptcy. In a separate agreement between CME and the customer representatives, CME has agreed to deliver \$14.5 million, one-half of the distribution that it will receive from the trustee, to the customer representatives for distribution to MF Global's former customers. The agreements are subject to court approval before they can become effective.

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

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

In addition, the company is a defendant in, and has potential for, various other legal proceedings arising from its regular business activities. While the ultimate results of such proceedings against the company cannot be predicted with certainty, the company believes that the resolution of any of these matters on an individual basis will not have a material impact on its consolidated financial position or results of operations.

At September 30, 2013 and December 31, 2012, the company had accrued \$13.3 million and \$13.2 million, respectively, for legal and regulatory matters that were probable and estimable.

Intellectual Property Indemnifications. Certain agreements with customers and other third parties related to accessing the CME platforms; utilizing market data services; and licensing CME SPAN software may contain indemnifications

from intellectual property claims that may be made against them as a result of their use of the applicable products and/or services. The potential future claims relating to these indemnifications cannot be estimated and, therefore, no liability has been recorded.

6. Guarantees

Clearing House Contract Settlement. CME and CME Clearing Europe Limited (CMECE) mark-to-market open positions for most products at least twice a day. Based on values derived from the mark-to-market process, CME and CMECE require payment from clearing firms whose positions have lost value and make payments to clearing firms whose positions have gained value. For select cleared-only markets, positions are marked-to-market once daily, with the capability to mark-to-market more

Table of Contents

frequently as market conditions warrant. Under the extremely unlikely scenario of simultaneous default by every clearing firm who has open positions with unrealized losses, the maximum exposure related to CME's and CMECE's guarantee would be one half day of changes in fair value of all open positions, before considering CME's and CMECE's ability to access defaulting clearing firms' performance bond and guaranty fund balances as well as other available resources. During the first nine months of 2013, CME and CMECE transferred an average of approximately \$2.4 billion a day through their clearing systems for settlement from clearing firms whose positions had lost value to clearing firms whose positions had gained value. CME and CMECE reduce the guarantee exposure through initial and maintenance performance bond requirements and mandatory guaranty fund contributions. The company believes that its guarantee liability is immaterial and, therefore, has not recorded any liability at September 30, 2013.

Mutual Offset Agreement. CME and Singapore Exchange Limited (SGX) have a mutual offset agreement with a current term through October 2014. 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 September 30, 2013, CME was contingently liable to SGX on irrevocable letters of credit totaling \$360.0 million. Regardless of the collateral, CME guarantees all cleared transactions submitted through SGX and would initiate procedures designed to satisfy these financial obligations in the event of a default, such as the use of performance bonds and guaranty fund contributions of the defaulting clearing firm.

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

A cross-margin agreement exists with CME and Fixed Income Clearing Corp (FICC) whereby the clearing firms' offsetting positions with CME are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and FICC, each clearing house may reduce the firm's performance bond requirement. In the event of a firm default, the total liquidation net gain or loss on the firm's offsetting open positions and the proceeds from the liquidation of the performance bond collateral held by each clearing 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 was established with a maximum payment amount of \$100.0 million. Since its establishment, the Fund has made payments of approximately \$2.0 million, which leaves \$98.0 million available for future claims. If payments to participants were to exceed this amount, payments would be pro-rated. Clearing members and customers must register in advance with the company and provide certain documentation in order to substantiate their eligibility. The company believes that its guarantee liability is immaterial and, therefore, has not recorded any liability at September 30, 2013.

Table of Contents

7. Accumulated Other Comprehensive Income

The following tables present changes in the accumulated balances for each component of other comprehensive income, including current period other comprehensive income and reclassifications out of accumulated other comprehensive income:

(in millions)	Investment Securities	Defined Benefit Plans	Derivative Investments	Foreign Currency Translation	Total
Balance at December 31, 2012	\$256.7	\$(32.4)	\$(16.4)	\$1.4	\$209.3
Other comprehensive income before reclassifications	(138.9)	0.9	128.8	1.7	(7.5)
Amounts reclassified from accumulated other comprehensive income	(0.7)	2.3	1.9	—	3.5
Income tax benefit (expense)	23.0	(1.5)	(49.0)	(0.6)	(28.1)
Net current period other comprehensive income	(116.6)	1.7	81.7	1.1	(32.1)
Balance at September 30, 2013	\$140.1	\$(30.7)	\$65.3	\$2.5	\$177.2
(in millions)	Investment Securities	Defined Benefit Plans	Derivative Investments	Foreign Currency Translation	Total
Balance at December 31, 2011	\$148.4	\$(26.1)	\$(1.2)	\$(9.5)	\$111.6
Other comprehensive income before reclassifications	84.4	0.5	(54.4)	5.5	36.0
Amounts reclassified from accumulated other comprehensive income ⁽¹⁾	—	1.9	0.4	18.4	20.7
Income tax benefit (expense)	(58.8)	(0.9)	19.8	(8.7)	(48.6)
Net current period other comprehensive income	25.6	1.5	(34.2)	15.2	8.1
Balance at September 30, 2012	\$174.0	\$(24.6)	\$(35.4)	\$5.7	\$119.7

(1) In the second quarter of 2012, the company recognized an \$18.4 million foreign currency translation loss related to the sale of Credit Market Analysis Ltd. (CMA) within other non-operating income (expense).

8. Fair Value Measurements

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

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

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

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

In general, the company uses quoted prices in active markets for identical assets to determine the fair value of marketable securities and equity investments. Level 1 assets generally include U.S. Treasury securities and investments in publicly traded mutual funds with quoted market prices. If quoted prices are not available to determine fair value, the company uses other inputs that are directly observable.

Assets included in level 2 generally consist of asset-backed securities. Asset-backed securities were measured at fair value based on matrix pricing using prices of similar securities with similar inputs, such as maturity dates, interest rates and credit ratings.

The company determined the fair value of its contingent consideration liabilities, considered level 3 liabilities, using a discounted cash flow model to calculate the present value of future payouts. The liabilities were included in level 3 because management used significant unobservable inputs, including a discount rate of 20% and probability of payouts of either 75% or 100%. Significant increases or decreases in any of those inputs in isolation would result in a

significantly higher or lower fair value.

16

Table of Contents

Financial assets and liabilities recorded in the consolidated balance sheet as of September 30, 2013 were classified in their entirety based on the lowest level of input that was significant to each asset or liability's fair value measurement. Financial Instruments Measured at Fair Value on a Recurring Basis:

(in millions)	September 30, 2013			Total
	Level 1	Level 2	Level 3	
Assets at Fair Value:				
Marketable securities:				
U.S. Treasury securities	\$18.3	\$—	\$—	\$18.3
Mutual funds	46.3	—	—	46.3
Asset-backed securities	—	0.4	—	0.4
Total Marketable Securities	64.6	0.4	—	65.0
Equity investments	582.1	—	—	582.1
Total Assets at Fair Value	\$			