

Edgar Filing: CBOT HOLDINGS INC - Form 425

CBOT HOLDINGS INC
Form 425
March 22, 2007

Filed by Chicago Mercantile Exchange Holdings, Inc. pursuant
to Rule 425 under the Securities Act of 1933, as amended, and
deemed filed pursuant to Rule 14a-6 under the Securities
Exchange Act of 1934, as amended.

Subject Company: CBOT Holdings, Inc.

Subject Company's Commission File No.: 001-32650

CME/CBOT Proposed Merger
March 22, 2007
Investor Presentation

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

2

Discussion of Forward-Looking Statements

Forward-Looking Statements

This

presentation
may
contain
forward-looking
information
regarding
Chicago
Mercantile
Exchange
Holdings
Inc.
and
CBOT
Holdings,
Inc.
and the
combined
company
after
the
completion
of
the
merger
that
are
intended
to
be
covered
by
the
safe
harbor
for
forward-looking
statements
provided
by
the
Private
Securities
Litigation
Reform
Act
of
1995.
These
statements
include,

but
are
not
limited
to,
the
benefits
of
the
business combination
transaction
involving
CME
and
CBOT,
including
future
financial
and
operating
results,
the
new
company's
plans,
objectives, expectations
and
intentions
and
other
statements
that
are
not
historical
facts.
Such
statements
are
based
on
current
beliefs,
expectations, forecasts
and
assumptions
of
CME
and
CBOT's

management
which
are
subject
to
risks
and
uncertainties
which
could
cause
actual
outcomes and
result
to
differ
materially
from
these
statements.
Other
risks
and
uncertainties
relating
to
the
proposed
transaction
include,
but
are
not limited
to
the
satisfaction
of
conditions
to
closing;
including
receipt
of
shareholder,
member,
antitrust,
regulatory
and
other
approvals

on
the proposed
terms;
the
proposed
transaction
may
not
be
consummated
on
the
proposed
terms;
uncertainty
of
the
expected
financial
performance of
CME
following
completion
of
the
proposed
transaction;
CME
may
not
be
able
to
achieve
the
expected
cost
savings,
synergies and
other strategic
benefits
as
a
result
of
the
proposed
transaction;
the
integration

of
CBOT
with
CME's
operations
may
not
be
successful
or
may
be materially
delayed
or
may
be
more
costly
or
difficult
than
expected;
general
industry
and
market
conditions;
general
domestic
and
international
economic
conditions;
and
governmental
laws
and
regulations
affecting
domestic
and
foreign
operations.
For
more
information
regarding
other
related
risks,

see
Item
1A
of
CME's
Annual
Report
on
Form
10-K
for
the
fiscal
year
ended
December
31, 2006.
Copies
of
said
10-K
is
available
online
at
<http://www.sec.gov>
or
on
request
from
the
CME.
You
should
not
place
undue
reliance
on forward-looking
statements,
which
speak
only
as
of
the
date
of
this
presentation.

Except
for
any
obligation
to
disclose
material
information under
the
Federal
securities
laws, CME
undertakes
no
obligation
to
release
publicly
any
revisions
to
any
forward-looking
statements
to
reflect events
or
circumstances
after
the
date
of
this
presentation.
Additional
Information
CME
and
CBOT
have
filed
a
definitive
joint
proxy
statement/prospectus
with
the
Securities
and

Exchange
Commission
(SEC)
in
connection
with the
proposed
transaction.
This
material
is
not
a
substitute
for
the
definitive
joint
proxy
statement/prospectus
or
any
other
documents
CME
and CBOT
have
filed
or
will
file
with
the
SEC.
Investors
and
security
holders
are
urged
to
read
the
definitive
joint
proxy
statement/prospectus
and any
other
relevant

documents
filed
or
to
be
filed
by
CME
or
CBOT
because
they
contain
or
will
contain
important
information
about
the proposed
transaction.
The
definitive
joint
proxy
statement/prospectus
is,
and
other
documents
filed
or
to
be
filed
by
CME
and
CBOT
with
the SEC
are
or
will
be,
available
free
of
charge
at

the
SEC's
Web
site
(www.sec.gov)
or
from
Chicago
Mercantile
Exchange
Holdings
Inc., Shareholder
Relations
and
Membership
Services,
20
South
Wacker
Drive,
Chicago,
Illinois
60606,
Attention:
Beth
Hausoul.

CME
and
its
directors,
executive
officers
and
other
employees
may
be
deemed
to
be
participants
in
the
solicitation
of
proxies
in
connection
with

the
proposed
transaction.
Information
about
CME's
directors
and
executive
officers
is
available
in
the
definitive
joint
proxy statement/prospectus.

Statements
included
in
this
presentation
relating
to
the
ICE
offer
reflect
the
views
of
CME's
management.

This
document
shall
not
constitute
an
offer
to
sell
or
the
solicitation
of
an
offer

to
buy
any
securities,
nor
shall
there
be
any
sale
of
securities
in
any
jurisdiction
in
which
such
offer,
solicitation
or
sale
would
be
unlawful
prior
to
registration
or
qualification
under
the
securities
laws
of
any
such
jurisdiction.
No
offering
of
securities
shall
be
made
except
by
means
of
a

prospectus
meeting
the
requirements
of
Section
10
of
the
U.S.
Securities
Act
of
1933,
as
amended.

Terry Duffy
Executive Chairman

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

4

CME's superior offer has larger and more immediate benefits to CBOT shareholders and members

Solidifies combined company's status as the premier global exchange, positioning combined company
For continued growth as a consolidator rather than a target
As the partner of choice for matching and/or clearing ASP opportunities

Creates \$70M in operational and cost efficiencies for customers

Creates immediate scale advantages

Strengthens Chicago as the leader in derivatives

Focuses the combined company on generating growth, rather than duplicative integration and development
Globally

Builds on over 200 years of innovation to the benefit of customers and shareholders

\$125+ million in estimated annual cost savings

Expected to be accretive to GAAP earnings 12
18
months post-close

Potential revenue synergies to be shared by combined shareholders

Enhances operating leverage

Strategically

Attractive

Financially

Compelling

Combination will establish the world's largest derivatives exchange to the benefit of shareholders, members and customers

In over-the-counter (OTC) markets

Craig Donohue
Chief Executive Officer

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

6

Better together

ICE's proposal

offers CBOT shareholders a weaker currency

will limit CBOT's comparative future growth potential and value creation opportunities

exaggerates the estimated synergies

poses significant execution and integration risks that could adversely affect customers and shareholders

Operationally

Strategically

Financially

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

7

OTC derivatives markets are larger and growing faster

\$0

\$50,000

\$100,000

\$150,000

\$200,000

\$250,000

\$300,000

DEC 2001

DEC 2003

DEC 2005

(\$ in billions)

\$23,764

\$111,178

\$36,787

\$197,167

\$57,816

\$297,670

Exchange-traded

OTC

CAGR 2001-2005

OTC

28%

Exchange Traded

25%

Total Value Outstanding Positions

(measured in notional value as of year-end)

Source: March 2007 BIS (Bank of international Settlements)

Quarterly Review

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

8

CBOE exercise rights

ICE has proposed same exact structure

ICE has not identified specific changes

ICE offered CBOT shareholders no guarantees or promises

CBOE has not consented to ICE's proposal

ICE's vague structure to preserve CBOE exercise rights is not a differentiating factor

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

9

WTI Average Daily Volume

NYMEX on CME Globex vs. ICE

CME successfully integrates NYMEX, and takes market

share back from ICE

(by month; notionally adjusted; contracts in thousands)

0

100

200

300

400

JUN

06

JUL

06

AUG

06

SEP

06

OCT

06

NOV

06

DEC

06

JAN

07

360

38

185

116

NYMEX WTI

on CME Globex

ICE WTI

The

Electronic

Trading

Comparison

FEB

07

MAR

07

To date

Source: Derived from NYMEX web site and CME data

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

10

Monthly

Average Daily Volume

Total ICE Futures & NYBOT

(contracts in thousands)

CME FX Volume equals ICE/NYBOT total volume,
and shows faster growth

0
200
400
600
800
JUL
06
SEP
06
NOV
06
JAN
07
MAR
07
529
700
0
200
400
600
800
373
721

Monthly CME FX ADV
vs. NYBOT FX ADV
(contracts in thousands)

CME
offers
extremely
liquid
FX
markets

FX
is
CME's
third
largest
product and is currently averaging the same amount of volume
as all ICE futures and all NYBOT combined

JUL
06
SEP
06
NOV
06

JAN

07

MAR

07

14

CME FX

NYBOT FX

Source: CME data, ICE and NYBOT websites

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

11

Diversity of ADV and Revenue

CME Q406 ADV

Interest Rates

56%
Equity Mini
30%
Equity Standard
3%
FX
10%
Commodities & Alt
Investments
1%
ICE/NYBOT Q406 ADV
Energy
87%
Soft Commodities
13%
CME Q406
Clearing & Transaction Revenue
Interest Rates
44%
Equity Standard
6%
Equity Mini
32%
FX
16%
Commodities & Alt
Investments
2%
ICE/NYBOT Q406
Clearing & Transaction Revenue
Energy
84%
Soft Commodities
16%

Sources: Company press releases and SEC filings

ICE volume and revenue are limited to the energy and soft commodity markets

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

12

In a challenging market, ICE's unseasoned stock
declined 20%

ICE's volatility is 30% higher than
CME's

Since ICE's IPO, ICE's P/E has
fluctuated more than 26 points vs.
CME's fluctuation of 10 points over
the same time period

ICE has a limited track record as a
public company
ICE has been public for only 1.5 years
(CME has been public for over 4 years)
CME has a history of exceeding
earnings expectations

1.
February 21, 2007 represents ICE's all time high share price.

2.
Exchange
index
includes
TSX,
OMX,
ASX,
Hong
Kong
Exchange,
Singapore
Exchange,
Deutsche
Boerse,
Euronext,
Bursa
Malaysia,
LSE,
Bolsas
y
Mercados,
ISE
and
NYSE.

CME's stock is less volatile than ICE's
Indexed Price Performance
Quality of Currency Characteristics

2/21/2007

2/28/2007

3/7/2007

3/14/2007

70

75

80

85

90

95

100

105

Indexed Price

(19.49%)

ICE

(9.16%)

Exchange

Index

(0.58%)

CME

(4.67%)

S&P 500

(1)

(2)

Source: Lehman Brothers

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

13

Sources: Company press releases and SEC filings

We operate in a global marketplace

0

1,000
2,000
3,000
4,000
5,000
6,000
5,313
3,269
4,628
2,043
897
604

Note:

Individual equity options excluded

CME is the largest global derivatives exchange and has a strong partnership with the leading energy exchange, while

ICE/NYBOT is not the largest in any segment

Q406 Average Daily Volume

By Exchange

(contracts in thousands)

CME

CBOT

Eurex

ENXT

NYMEX

ICE/

NYBOT

Interest rates

Equities

Foreign exchange

Commodities

Energy

Metals

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

14

\$0

\$45,000

\$90,000

\$135,000

\$180,000

\$225,000

\$270,000

Interest

Rates

FX

Credit

Default

Equity-linked

Commodity

OTC opportunities are larger with CME

Source: June 2006 Notional Value Outstanding

per March 2007 BIS Quarterly Review

\$262,296

\$38,111

\$20,352

\$6,783

\$6,394

OTC opportunities in CBOT will be more effectively pursued

by leveraging CME's resources, experience and investments

across both large and small OTC market segments

CME Clearing 360

FXMarketSpace FX cash

clearing and interest rates

swaps clearing

Alternative Markets

Trading and clearing of

weather, real estate,

economic indexes

commonly traded in

OTC markets

Credit Derivatives

Trading and clearing for the

\$20 trillion (outstanding)

OTC credit derivatives

market

The \$250 trillion

(outstanding) interest

rate swaps market

OTC Cash FX trading -

\$2 trillion in daily turnover

Jamie Parisi
Managing Director & Chief Financial Officer

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

16

CME/CBOT planned synergies

Technology

Related

50%

Trading Floor

/ Operations

15%

Administrative

35%

Cost Savings Areas

Total: \$125+ million

Expected cost savings of \$125+ million annually,
beginning in year two post-close

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

17

ICE's exaggerated synergies

The \$50M revenue synergies are highly speculative

ICE provided no quantifiable basis for revenue synergies
CME's revenue synergies with CBOT would be greater driven by CME
Globex distribution and speed, as well as adjacency to sizable OTC
markets in CME's multiple asset classes

The \$100M operational expense synergies are questionable
ICE provided limited insight as to how synergies would be achieved
ICE claims that they can remove 43% of the combined expenses,
excluding d & a -
well outside the range of precedent transactions
CME believes a reasonable range is closer to \$40M to \$65M versus
CME/CBOT highly developed synergy estimate of \$125M+

The \$90M clearing synergies are unrealistic
ICE has not included significant expenses necessary to handle the
increased clearing volume
Some of the synergies ICE is claiming could come from CBOT's
standalone alternatives
CME believes a reasonable range could be \$20M to \$40M
ICE's synergy estimates are not based in reality

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

18

ICE's cost synergies are inflated relative to other
mergers

ICE/CBOT cost synergies represent 43% of the combined expense base

versus the 9% average for comparable deals

43%

19%

10%

6%

6%

4%

9%

7%

13%

11%

0%

5%

10%

15%

20%

25%

30%

35%

40%

45%

50%

ICE / CBOT

CME / CBOT

Nasdaq /

INET ECN

NYSE /

Euronext

ASX / SFE

ICE / NYBOT

Deutsche

Börse /

Clearstream

NYSE /

Archipelago

OM Gruppen

/ HEX

Euronext /

LIFFE

% of Combined

Expense Base

Average: 9%

(Excluding ICE / CBOT)

Source: Lehman Brothers

Note: Excludes depreciation and amortization

Kim Taylor
Managing Director &
President CME Clearing

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

20

Benefits of CME Clearing

Offers rock solid operational reliability

Provides high degree of risk management and financial integrity

Delivers low-cost services

Leverages scalability and adaptability

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

21

Operational capacity and reliability

CME has operational capacity to clear business of

CBOT's magnitude

NYBOT would need to scale up clearing capacity on day 1

more than 18 times to accommodate CBOT average volume

Notes: CME and CBOT YTD through 3/16/07, NYBOT YTD through 2/28/07. NYBOT Average Transactions are CME estimated

Average Transactions

Average Volume

1,400

809

61

0

500

1,000

1,500

CME

CBOT

NYBOT

13x

6,700

3,900

212

0

2,000

4,000

6,000

8,000

CME

CBOT

NYBOT

18x

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

22

Operational capacity and reliability

Clearing operational capacity & reliability at *peak*

activity levels is extremely critical to CBOT business
NYBOT would need to scale up clearing capacity by 30 times to
handle CBOT peak volume

Peak Transactions

Peak Volume

Note: CME and CBOT Peak volumes occurred on 2/27/07, NYBOT peak volume occurred on 2/9/07. NYBOT Peak Transact

CME estimates

2,600

2,000

106

0

1,000

2,000

3,000

CME

CBOT

NYBOT

19x

13,700

11,100

373

0

2,500

5,000

7,500

10,000

12,500

15,000

CME

CBOT

NYBOT

30x

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

23

Risk management and financial integrity

CME offers important innovation over clearing houses

that offer solely net or gross margining:

CBOT house portfolios are margined net by CME

CBOT customer portfolios have the choice between
net margining or gross margining

For some portfolios, net margining is more efficient
and for other portfolios, gross margining is more
efficient

ICE's net margining proposal is a step backwards from CME's
optimal margining innovation

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

24

Risk management and financial integrity

CME Clearing is widely recognized as the industry leader in

risk management

109 year, default-free
history

Industry leading risk management:

Real-time 24 hour risk monitoring

Stress testing at the clearing member & large client levels

Specialized real-time risk monitoring for ATS & other large
day traders

On-site risk reviews of clearing member firms

Real-time risk management support to clearing members

Proven crisis management

CME has real-time risk management 24 hours a day, 6 days a
week, ensuring early detection of large risk exposures

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

25

Risk management and financial integrity

CME Clearing has extensive experience & capabilities to risk

manage business of CBOT's scope & scale

CME

CBOT

NYBOT

Open Interest

1

:

44.5M

15.9M 2.5M

Average daily MTM:

\$1.8B

\$.05-\$.1B (est.)

Record MTM:

\$8.5B

<\$.2B (est.)

Note:

1. As of February 28, 2007. NYBOT February 2007 Monthly Volume Report, CBOT February 2007 Monthly Open Interest Report

CME Volume Tracker

CME is experienced with managing mark-to-market

flows 40 times greater than NYBOT

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

26

Cost and capital efficiencies

The combination of CME & CBOT products under a single clearing

house resulted in significant capital savings & efficiency for the market

Potential Margin Efficiencies Lost:

\$700 million-\$1 billion +

Potential Guarantee Fund Requirements:

\$550 million

NYBOT Ad 1

Req:

\$350 million

CME Savings Lost:

\$200 million

Total disruption to capital efficiency:

\$1.3 -

\$1.6 billion

ICE cross-margining savings of \$50 million doesn't compare to margin savings with CME/CBOT

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

27

Growth capabilities

With its current capabilities, CME Clearing has created a strong

foundation to continue growing the combined business of the CME & CBOT

Clearing provides the following capabilities to support or drive growth in our combined business base:

Operational scale

Product scope

Functional richness

Deep risk management experience

OTC growth capabilities (Clearing360)

NYBOT's focus will be on absorbing rather than growing the CBOT business

5 of the top 10 CBOT volume leaders are not NYBOT clearing members

Phupinder Gill
President & Chief Operating Officer

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

29

CME ready to integrate, while ICE offer has significant execution risk

Slow Integration

66%

Low revenues,
cash, profitability

125

PWC

Poor Strategy

50%

Poor cash flow
relative to peers

50

Healy et. al.

Weak Core Business

Large Target Size

Overly Optimistic

Slow Integration

77%

Failure to earn
back capital in 3
years

116

McKinsey & Co.

Poor Planning

Poor Communication

Slow Integration

70%

Would not buy
again

150

Mitchell/EIU

Lack of Vision

Lack of Alignment

Slow Integration

63%

Poor shareholder
returns after 3
years

215

Mercer

Causes

% Failed

Definition of Failure

Sample

Size

Study

2/3 s of mergers fail to increase shareholder value due to poor
integration execution

Source: PRITCHETT, LP

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

30

0

20

40

60
80
100
120
'02
'03
'04
'05
'06
'07

Source: CME 2006 and 2003 10-Ks, CME press release dated 1/30/07, ICE 8-K filed 3/13/07, ICE 2006 10-K, ICE S-1 filed 3/22/05, and ICE press release dated 2/7/07.

To support scaling of technology infrastructure, CME has spent \$360M over the past 5 years in capital reinvestment, while ICE has spent less than \$70M

0
20
40
60
80
100
120
'02
'03
'04
'05
'06
'07

CME

ICE

(\$mm)

(\$mm)

Guidance

Guidance

(For Combined

Company)

\$110-115

\$88

\$56

\$25-30

\$20

\$21

Capital expenditures comparison

Capital expenditures

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

31

Potential for revenue synergies from international growth are larger with a CME/CBOT combination

CME has global products across asset classes

CME has expanded international sales and marketing staff in the last year

Amsterdam

Dublin

Paris

Gibraltar

London

Milan

Singapore

Europe

Asia Pacific

CME has international relationships in China, India and Singapore

Equities-Nikkei 225, MSCI EAFE, S&P 500

Interest rates

Eurodollar, Euroyen

FX

Euro, Yen, Chinese Reminbi, Korean Won

CME has telecommunications hubs globally

Algeria,

Argentina,

Australia,

Austria,

Bahamas,

Barbados,

Belgium,

Belize,
Bermuda,
Brazil,
British
Virgin
Islands,
Bulgaria,
Canada,
Cayman
Islands,
Chile,
China,
Costa
Rica,
Cyprus,
Czech
Republic,
Denmark,
Ecuador,
Egypt,
Finland,
France,
Great
Britain,
Germany,
Gibraltar,
Greece,
Hong
Kong,
Hungary,
Iceland,
India,
Indonesia,
Iran,
Ireland,
Isle
of
Man,
Israel,
Italy,
Jamaica,
Japan,
Jordan,
Kuwait,
Lebanon,
Liechtenstein,
Luxembourg,
Macau,
Madagascar,
Malaysia,

Mauritius,
Mexico,
Monaco,
Mongolia,
Namibia,
Netherlands,
New
Zealand,
Norway,
Pakistan,
Peru,
Philippines,
Poland,
Portugal,
Puerto
Rico,
Republic
of
Korea,
Romania,
Russian
Federation,
Saint
Pierre
and
Miquelon,
Saudi
Arabia,
Senegal,
Seychelles,
Singapore,
Slovakia,
South
Africa,
Spain,
Sweden,
Switzerland,
Taiwan,
Thailand,
Turkey,
United
Arab
Emirates,
US,
US
Virgin
Islands,
Venezuela

CME has Globex distribution of institutional screens spanning 88+

countries and foreign jurisdictions

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

32

CME Globex has the capacity to handle large
transaction volumes at a high speed

Globex Transaction Volume (2003 to 2007)

50,000
100,000
150,000
200,000
250,000
300,000
350,000
400,000
Open Interest
Matched Trades
Order Volume vs Speed
200,000
400,000
600,000
800,000
1,000,000
1,200,000
0.00
20.00
40.00
60.00
80.00
100.00
120.00
140.00
160.00
180.00
200.00
Total Order Volume
Avg Futures RTT
Avg Options RTT
MD Feed Handler

We had many challenges both organizationally and technologically (referring to the NYBOT acquisition) While orders/transactions grew by a factor of 30, the average round trip time fell 80% from its 2004 level

-
Chuck Vice, ICE President & COO, February 7, 2007

Source: CME company database

Source: Chuck Vice, ICE President & COO, ICE 4Q2006 earnings conference call transcript, February 7, 2007

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

33

CME: Robust functionality for fast, protected and
efficient trading

Pro rata with configurable

TOP minimum/maximum quantity or match %-age
Pro rata small lot aggregation
Auction or automated request for cross
Pro rata with or without TOP (and LMM)
LMM with or without TOP
CME Offers Critical Customer Protection Functionality
CME Offers Robust and Efficient Matching
Market or stop order with protection points
Mass quote governor
In-flight fill mitigation logic
eStop
option support
Stop spike protection for futures
Covered delta and side reasonability check
Market maker traded quantity, execution and new quote fill protections
Mass quote cancel on disconnect
ICE
CME
CME Offers Theoretical Price Function for Spread Leg Price Assignment

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

34

Customers win with CME

A CME transaction

Retains Common Clearing Link Efficiencies

CME/CBOT retains \$700M -

\$1B+ cross margining efficiencies versus

ICE/CBOT estimated \$50M

Keeps costs lower for end users and firms

CME/CBOT transaction estimated to generate at least \$70M in annual savings

ICE

transaction

requires

interfaces

&

deposits

with

two

clearing

houses

rather than one, as well interface to ICE electronic platform

Gives CBOT customers access to Globex

Allows trading of complementary products on a single platform

Greatly reduces operational and financial risk from migrating

clearing

Clearing firms and market users, not ICE/CBOT, will bear this risk

We are putting tremendous demands on traditional

NYBOT clearers and customers

(to bring the products

up electronically)

Jeff Sprecher, CEO, 2/7/07

Source: Jeff Sprecher, ICE CEO, ICE 4Q2006 earnings conference call transcript, February 7, 2007

Appendix

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

36

CME Clearing has proven to be a global leader in
risk management

Black Monday

Dow fell 22% on October 19, 1987

Drexel Burnham Lambert Parent

December 21, 1988 pleaded

guilty to insider trading. February 13, 1990 DBL filed for bankruptcy

Barings Bank

Declared insolvent on February 26, 1995 after

failing to find a buyer. Afterward, ING agrees to buy the bank for \$1

LTCM

September 1, 1998 Meriwether discloses the fund's massive losses and limits client withdrawals. September 23rd, a consortium of banks agrees to inject \$3.5B in funds at the NY Federal Reserve Office

Refco Parent

October 10, 2005, Refco discloses \$430 million in hidden debt. October 17th, Refco filed for bankruptcy

Amaranth/Motherrock

CME facilitated daily information sharing

among multiple exchanges pertaining to liquidation & transfer of positions, as well as loss coverage

CME played a central role in the successful conclusion of a number of events

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

37

NYBOT and the Klein default

First West owned by NYFE (a division of NYBOT) Chairman

Norman Eisler defaults causing Klein to default to NYBOT on May 17, 2000

The firm is undercapitalized (pro forma) by \$3.8 million

Mr. Eisler settles with CFTC for \$4.9 million for price manipulation and false reporting

CFTC also issues an order against NYFE (and \$75,000 penalty) for failure to enforce its own rule for determining settlement prices

Klein files a \$100 million lawsuit against NYBOT blaming the exchange for the default due to Mr. Eisler's role in setting settlement prices and lackadaisical crisis response by exchange senior management

Unlike NYBOT, CME Clearing's approach to risk management has prevented any CME clearing firm defaults

Confidential DRAFT

©

Chicago Mercantile Exchange Inc. All rights reserved.

38

Operational functionality

CBOT business depends heavily on post-trade processing

functionality:

20% of CBOT customer volume is for Give-up/APS

Trade transaction account for only approximately 20% of total clearing transactions (peak clearing transactions of 15M for CME & 7.4M for CBOT)

CME has supported Give-up functionality for 15 years & a 2-way API for the past 5 years. Both are critical to processing CBOT business

State-of-the-art broker billing and give-up payment systems

Ability to interface with electronic give-up agreement system

Industry leader in developing messaging technology

Robust state-of-the-art post trade management system

Proven, reliable 2 way API to support real time risk management

Support enhanced order routing and trading floor technologies

NYCC

CME

Clearing Technology