

CME GROUP INC.
Form 10-K
February 26, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2014

OR

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

Commission File Number 001-31553

CME GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware

36-4459170

(State or Other Jurisdiction of

(IRS Employer

Incorporation or Organization)

Identification No.)

20 South Wacker Drive, Chicago, Illinois

60606

(Address of Principal Executive Offices)

(Zip Code)

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

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

Title Of Each Class

Name Of Each Exchange On Which Registered

Class A Common Stock \$0.01 par value

NASDAQ GLOBAL SELECT MARKET

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

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

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

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

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

10-K. ☒

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

Large accelerated filer ☒ x

Accelerated filer ☐ o

Non-accelerated filer ☐ o (Do not check if a smaller reporting company)

Smaller reporting company ☐ o

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2014, was approximately \$23.6 billion (based on the closing price per share of CME Group Inc. Class A common stock on the NASDAQ Global Select Market (NASDAQ) on such date). The number of shares outstanding of each of the registrant’s classes of common stock as of February 11, 2015 was as follows: 337,340,642 shares of Class A common stock, \$0.01 par value; 625 shares of Class B common stock, Class B-1, \$0.01 par value; 813 shares of Class B common stock, Class B-2, \$0.01 par value; 1,287 shares of Class B common stock, Class B-3, \$0.01 par value; and 413 shares of Class B common stock, Class B-4, \$0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents

Form 10-K Reference

Portions of the CME Group Inc.’s Proxy Statement for the 2015 Annual Meeting of Shareholders

Part III

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PART I

Certain Terms

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

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

Information about Contract Volume and Average Rate per Contract

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

Trademark Information

CME Group is a trademark of CME Group Inc. The Globe logo, CME, Chicago Mercantile Exchange, Globex and E-mini are trademarks of Chicago Mercantile Exchange Inc. CBOT and Chicago Board of Trade are trademarks of Board of Trade of the City of Chicago, Inc. NYMEX, New York Mercantile Exchange and ClearPort are trademarks of New York Mercantile Exchange, Inc. 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 Annual Report on Form 10-K as well as in other written reports and verbal statements, we discuss our expectations regarding future performance. These forward-looking statements are identified by their use of terms and phrases such as “believe,” “anticipate,” “could,” “estimate,” “intend,” “may,” “plan,” “expect” and similar 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 maintaining reliability and 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 swaps 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, such as 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;

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• decreases in revenue from our market data as a result of decreased demand;
• 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;
• our ability to accommodate increases in contract volume and order transaction traffic and to implement enhancements 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 strategy for acquisitions, investments and alliances;
• our ability to continue to generate funds and/or manage our indebtedness to allow us to continue to invest in our business;
• industry and customer consolidation;
• decreases in trading and clearing activity;
• the imposition of a transaction tax or user fee on futures and options on futures transactions and/or repeal of the 60/40 tax treatment of such transactions;
• the unfavorable resolution of material legal proceedings; and
• the seasonality of the futures business.

For a detailed discussion of these and other factors that might affect our performance, see Item 1A. of this Report beginning on page 14.

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ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

CME Group, through its futures exchanges and clearing houses, serves the risk management and investment needs of customers around the globe.

CME was founded in 1898 as a not-for-profit corporation. In 2000, CME demutualized and became a shareholder-owned corporation. As a consequence, we adopted a for-profit approach to our business, including strategic initiatives aimed at optimizing contract volume, efficiency and liquidity. In 2002, Chicago Mercantile Exchange Holdings Inc. (CME Holdings) completed its initial public offering of its Class A common stock, which is listed on the NASDAQ Global Select Market under the symbol "CME." In 2007, CME Holdings merged with CBOT Holdings, Inc. and was renamed CME Group. In connection with the merger, we acquired the CBOT exchange. CBOT is a leading marketplace for trading agricultural and U.S. Treasury futures as well as options on futures. In 2008, we merged with NYMEX Holdings, Inc. and acquired NYMEX and COMEX. On NYMEX, customers primarily trade energy futures and options contracts, including contracts for crude oil, natural gas, heating oil and gasoline. On COMEX, customers trade metal futures and options contracts, including contracts for gold, silver and copper. We launched CME Clearing Europe in 2011 to expand our European presence and further extend the geographical reach of our clearing services. In November 2012, we acquired The Board of Trade of Kansas City, Missouri, Inc. (KCBT) and its hard red winter wheat product line and effective December 2013, KCBT operations were transferred to CBOT. In April 2013, we purchased the non-controlling interest in CME Group Index Services from Dow Jones & Company (Dow Jones) resulting in an increase in our ownership to 27% of the S&P/Dow Jones Indices LLC (S&P/DJI) joint venture with McGraw-Hill, originally established in 2012. As part of the formation of S&P/DJI, McGraw-Hill acquired our credit derivatives market data business. In 2013 and 2014, we received regulatory approval to operate a U.S. swap execution facility as well as global trade repositories in the United States, United Kingdom, and in Canada. In March 2014, we received regulatory approval for the launch of CME Europe Limited, our U.K. exchange.

Our business has historically been subject to the extensive regulation of the Commodity Futures Trading Commission (CFTC). As a result of our global operations, we are also subject to the rules and regulations of the local jurisdictions in which we conduct business, including the Bank of England, the Financial Conduct Authority (FCA) and the European Securities and Markets Authority (ESMA). Additionally, our U.S. clearing house has been designated as systemically important, which carries with it enhanced regulatory oversight of certain of our risk-management standards, clearing, and settlement activities, including additional oversight by the Federal Reserve Bank.

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

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The company reports the results of its operations as one reporting segment primarily comprised of the CME, CBOT, NYMEX and COMEX exchanges. The remaining operations do not meet the thresholds for reporting separate segment information. Financial information about our reporting segment is hereby incorporated by reference to "Item 6. Selected Financial Data" on page 28 and "Item 8. Financial Statements and Supplementary Data" on page 53.

NARRATIVE DESCRIPTION OF BUSINESS

We offer the widest range of global benchmark products across all major asset classes, based on interest rates, equity indexes, foreign exchange, energy, agricultural commodities and metals. Our products include both exchange-traded and privately negotiated futures and options contracts and swaps. We bring buyers and sellers together through our CME Globex electronic trading platform across the globe and our open outcry trading facilities in Chicago and New York City, and provide hosting, connectivity and customer support for electronic trading through our co-location services. Our CME Direct technology offers side-by-side trading of exchange-listed and privately negotiated markets. We provide clearing and settlement services for exchange-traded contracts, as well as for cleared swaps, and provide regulatory reporting solutions for market participants through our global repository services in the United States, United Kingdom and Canada. Finally, we offer a wide range of market data services — including live quotes, delayed quotes, market reports and a comprehensive historical data service — and continue to expand into the index services business.

Table of Contents**Our Competitive Strengths**

We provide innovative ways to manage risk and offer a number of key differentiating elements that set us apart from others in our industry, including:

Highly Liquid Markets — Our listed futures and options markets provide an effective forum for our customers to manage their risk and meet their investment needs relating to our markets. We believe that our customers choose to trade on our centralized market due to its liquidity and price transparency. Market liquidity — or the ability of a market to absorb the execution of large purchases or sales quickly and efficiently, whereby the market recovers quickly following the execution of large orders — is key to attracting customers and contributing to a market's success.

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

Product Line	2014		2013		2012	
Interest rate	33	%	29	%	25	%
Equity	19		19		19	
Foreign exchange	6		8		7	
Agricultural commodity	15		14		16	
Energy	21		23		27	
Metal	6		7		6	

We believe that the breadth and diversity of our product lines and the variety of their underlying contracts is beneficial to our overall performance. Our asset classes contain products designed to address differing risk management needs, and customers are able to achieve operational and capital efficiencies by accessing our diverse products through our platforms and our clearing houses.

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

Trading Venue	2014		2013		2012	
Electronic	80	%	79	%	76	%
Open outcry	6		6		7	
Privately negotiated ⁽¹⁾	14		15		17	

(1) Privately negotiated average daily volume includes both traditional block trades, off-exchange trades which were historically categorized as CME ClearPort (now executed as futures block trades), and Exchange for Related Positions (EFRPs).

In addition, our cleared-only CME interest rate swap and CME credit default swap contracts contributed approximately 2% of total revenue in both 2014 and 2013.

In February 2015, we announced the closure of most of our futures trading pits in Chicago and New York by July 2, 2015. Most open outcry options markets will remain open.

Our products generate valuable information regarding prices and trading activity. Customers pay a subscription fee for real-time market data and have the choice of receiving their market data either directly from us or through a variety of third-party quote vendors and data providers. We also offer customers detailed historical market data for use in their development and analysis of various trading strategies. The estimated contributions of our market data and information services products, excluding our index market data offerings, based on percentage of total revenue over the last three years, were 11% in 2014, 11% in 2013 and 12% in 2012.

Safety and Soundness of our Markets — We understand the importance of ensuring that our customers are able to manage and contain their trading risks. As the markets and the economy have evolved, we have worked to adapt our clearing services to meet the needs of our customers. We apply robust risk management standards and enforce and facilitate applicable regulatory customer protection standards for exchange-traded products and cleared swaps.

Clearing member firms are continually monitored and examined to assess their outstanding risk, capital adequacy and compliance with customer protection rules and regulations. We utilize a combination of risk management capabilities

to assess our clearing firms and their account exposure

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levels for all asset classes 24 hours a day throughout the trading week. Our U.S. clearing house is operated within CME. We also operate a U.K. clearing house — CME Clearing Europe.

Our integrated clearing function is designed to ensure the safety and soundness of our markets by serving as the counterparty to every trade, becoming the buyer to each seller and the seller to each buyer, and limiting counterparty credit risk. The clearing house is responsible for settling trading accounts, clearing trades, collecting and maintaining performance bond funds, regulating delivery and reporting trading data. CME Clearing marks open positions to market at least twice a day, and requires payment from clearing firms whose positions have lost value and makes payments to clearing firms whose positions have gained value. For select cleared-only markets, positions are marked-to-market daily, with the capacity to mark-to-market more frequently as market conditions warrant. The CME ClearPort front-end system provides access to our flexible clearing services for block transactions. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk,” beginning on page 48 and “Item 1A. Risk Factors,” beginning on page 14, for more information on our financial safeguards package and the associated credit risks related to our clearing services.

Superior Trading Technology and Distribution — We strive to provide the most flexible architecture in terms of bringing new technology, innovations and solutions to the marketplace. Our CME Globex electronic platform is the trading engine for our central limit order book markets, and is available on a global basis nearly 24 hours a day throughout the trading week. The CME Globex platform is accessible through a wide variety of vendor provided and custom built trading systems that benefit from our open application programming interface approach. For the privately negotiated markets, we offer brokers and customers the CME Direct system for arranging, executing, recording and risk-managing trades. CME Direct is a trading and analysis system that also includes CME Messenger for instant-message capabilities and CME Straight-Through Processing for connecting trade information directly with customer order management and risk management systems and is designed to reduce errors and improve efficiency. In 2014, 86% of our contract volume was conducted electronically.

Together, our platforms offer:

- certainty of execution;
 - vast capabilities to facilitate complex and demanding trading;
 - direct market access;
 - fairness, price transparency and anonymity;
 - convenience and efficiency; and
 - global distribution, including connection through high-speed international telecommunications hubs in key financial centers in Europe, Asia and Latin America, and hosting or global order routing to our global partner exchanges.
- In 2012, we launched our service offerings for co-location at our data center facility, which houses our trading match engines for all products traded on the CME Globex electronic trading platform. The service provides the lowest latency connection for our customers. The offering is made available to all customers on equal terms. We derived 2% of our revenues from our co-location business in 2012 through 2014.

Our Strategic Initiatives

The following is a description of our strategic initiatives:

Leading Core Business Innovation — We are focused on enhancing our customer relations to allow us to further cross-sell our products, expanding the strength of our existing benchmark products, launching new products and deepening open interest in our core futures offerings. Over the last five years, our key product launches included Ultra-Long Bond Treasury futures and options, Weekly Treasury options, numerous Eurodollar mid-curve options, weekly and short-dated agricultural options, end of month equity options, deliverable interest rate swap futures, aluminum futures and natural gas basis contracts. During the year, we also experienced multiple volume records across our core product portfolio, including record average daily volume in options and interest rates. We continue to invest in expanded sales and marketing capabilities and tools to broaden customer participation and to simplify the customer experience in order to increase their use of our offerings and reduce their regulatory burdens.

Globalizing our Company and our Business — We continue to expand and diversify our customer base worldwide and offer customers around the world the most broadly diversified portfolio of benchmark products. We have expanded our international product suite with the launch of a number of regionally specific products, including physically and

financially settled European natural gas cleared futures contracts, which help us appeal to risk management needs unique to a particular geography. We believe we have significant opportunity to expand the participation of our non-U.S. customer base in our markets. We are focused on core growth in global markets because we believe that Asia, Latin America, and other emerging markets will experience superior growth and development of their financial markets as they catch up to the more mature North American and European markets. In addition, we continue to expand our presence in major financial centers, such as in Europe and Asia,

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grow our commodities business outside the United States and penetrate emerging markets, such as China, India, Brazil and Mexico. In 2014, approximately 24% of our electronic volume was transactions customers reported to us as from outside the United States and 50% of our market data revenue is derived from outside the United States.

To further enhance our customers' trading opportunities, we have partnered with leading exchanges around the world to make their products available on or through our CME Globex electronic trading platform. These strategic relationships allow us to accelerate our market penetration, expand our customer reach, lower barriers of access to global benchmarks and develop product sales channels with local brokers. These relationships are also designed to allow the customers of our partner exchanges to access our products and markets.

Through CME Clearing Europe, our U.K. clearing house, we have built on our European presence and further extended the geographical reach of our clearing services. CME Clearing Europe offers clearing services for exchange-traded products and swaps, including interest rates, energy, agriculture, freight and precious metals. In August 2014, CME Clearing Europe received authorization as a Central Counterparty Clearing House under the European Market Infrastructure Regulation (EMIR).

In April 2014, we launched CME Europe Limited. We plan to offer European focused products across multiple asset classes on CME Europe. We have currently listed foreign exchange products and a suite of commodity products. CME Europe leverages the central counterparty model of CME Clearing Europe and allows us to more closely align with our regional customers in both exchange-traded products and cleared swaps, and provides additional opportunities to our expanding non-U.S. customer base.

In August 2014, CME Group and Thompson Reuters launched the new LBMA Silver Price in partnership with the London Bullion Market Association. We provide the electronic auction platform on which the price is calculated and Thompson Reuters is responsible for the administration and governance of the benchmark as well as distribution.

Expanding our Existing Customer Base and Enhancing our Product and Services Offerings to Meet its Risk Management Needs — We continue to grow our business by targeting cross asset sales across client segments, driving international sales and generating new client participation across all regions. We have a long history of providing customer value and responsiveness and believe our products and services make us well positioned to help our customers adapt and comply with new regulations, while enabling them to efficiently manage their risks. With the ongoing implementation of regulatory reform, we expect capital efficiencies and centralized clearing to continue to be important for our global client base.

Extending our Capabilities and Business in the Cleared Swaps Markets — We provide a comprehensive multi-asset class clearing solution to the market for maximum operational ease and the capital efficiency that comes with connecting to our clearing houses. Our cleared swaps offerings provide participants the extensive counterparty credit risk reduction and transparency of our clearing services while preserving the prevailing execution processes, technology platforms and business structures currently in use in the marketplace. With clearing houses in both the United States and Europe, we can offer customers the choice of clearing in either location. Our clearing services also offer the ability to optimize collateral and capital efficiencies across their portfolios within the particular clearing house while meeting the heightened regulatory requirements on derivatives. We offer clearing services for interest rate, credit default, foreign exchange and commodity swaps. We continue to focus on new customer onboarding for swaps clearing services, expanding our product offerings and working with the buy- and sell-sides to meet their needs for real-time clearing, risk management and data reporting as the marketplace moves from a compliance phase to an optimization phase. During 2014, we cleared swap transactions with a notional value of more than \$36.8 trillion, and open interest as of December 31, 2014, was \$22.9 trillion.

Establishing Ourselves as the Leading Exchange Company Provider of Information Products and Index Services and Enhancing our Intellectual Property Portfolio — We offer a variety of market data services for the futures, equities and the cleared swaps markets. Our joint venture with McGraw-Hill combines the world class capabilities of S&P Indices and Dow Jones Indices. As part of the joint venture, we acquired a long-term, ownership-linked, exclusive license to list futures and options on futures based on the S&P 500 Index and certain other S&P indices. We also continue to expand our existing intellectual property portfolio for our technology, products and services offerings.

Patents, Trademarks and Licenses

We own the rights to a large number of trademarks, service marks, domain names and trade names in the United States, Europe and other parts of the world. We have registered many of our most important trademarks in the United States and other countries. We hold the rights to a number of patents and have made a number of patent applications. Our patents cover match engine, trader user interface, trading floor support, market data, general technology and clearing house functionalities. We also own the copyright to a variety of materials. Those copyrights, some of which are registered, include printed and on-line publications, websites, advertisements, educational material, graphic presentations and other literature, both textual and electronic. We attempt to protect our intellectual property rights by relying on trademarks, patents, copyrights, database rights, trade secrets, restrictions on disclosure and other methods.

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We offer equity index futures and options on key benchmarks, including S&P, NASDAQ, Dow Jones and Nikkei indexes. These products are listed by us subject to license agreements with the applicable owners of the indexes, some of which are exclusive. In connection with our joint venture with McGraw-Hill, we entered into a new license agreement (S&P License Agreement), which superseded our prior licensing arrangements and was assigned to the joint venture. CME's license for the S&P 500 Index will be exclusive for futures and options on futures until one year prior to the termination of the S&P License Agreement, and non-exclusive for the last year. The license for the other S&P stock indexes is generally exclusive for futures and options on futures. The term of the S&P License Agreement will continue until the later of (i) December 31, 2017 or (ii) the date that is one year after the date that CME Group ceases to own at least five percent (accounting for dilution) of the outstanding joint venture interests. Upon the occurrence of certain events, including certain terminations of the joint venture, the term may be extended up to an additional ten years. CBOT has an exclusive license agreement (Dow Jones License Agreement) with CME Group Index Services LLC (CME Indexes) for certain Dow Jones indexes, which has also been assigned to the joint venture. The initial term of the agreement is through June 30, 2026. Following the initial term, the Dow Jones License Agreement shall automatically renew for renewal terms of five years thereafter so long as there is open interest in any of CBOT's or its affiliates' products based on one or more of the Dow Jones licensed indexes. In the event there is no open interest in any such products, then CME Indexes has the ability to terminate the agreement. We also have an exclusive license agreement for certain NASDAQ indexes through 2019. Copies of our S&P, Dow Jones and NASDAQ license arrangements have been filed as material contracts. We pay the applicable third party per trade fees based on contract volume under the terms of these licensing agreements.

We also have a long-term, non-exclusive licensing arrangement with ICE Benchmark Administration for the use of LIBOR to settle several of our interest rate products, including our Eurodollar contract.

We cannot assure you that we will be able to maintain the exclusivity of our licensing agreements with S&P, Dow Jones and NASDAQ or be able to maintain our other existing licensing arrangements beyond the term of the current agreements. In addition, we cannot assure you that others will not succeed in creating stock index futures based on information similar to that which we have obtained by license, or that market participants will not increasingly use other instruments, including securities and options based on the S&P, Dow Jones or NASDAQ indexes, to manage or speculate on U.S. stock risks. Parties also may succeed in offering indexed products that are similar to our licensed products without being required to obtain a license, or in countries that are beyond our jurisdictional reach and/or our licensors.

Seasonality

Generally, we have historically experienced relatively higher contract volume during the first and second quarters and sequentially lower contract volume in the third and fourth quarters. However, such seasonality also may be impacted by general market conditions or other events. During 2014, 25% of our consolidated revenues were recognized in the first quarter, 24% in the second quarter, 24% in the third quarter and 27% in the fourth quarter.

Working Capital

We generally meet our funding requirements with internally generated funds supplemented from time to time with public debt and commercial paper offerings. For more information on our working capital needs, see "Management's Discussion and Analysis of Operations and Financial Condition—Liquidity and Capital Resources," beginning on page 45, which section is incorporated herein by reference.

Customer Base

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

U.S. trading rights and privileges are exchange-specific. Trading on our open outcry trading floors is conducted exclusively by our members. Membership on one of our U.S. futures exchanges also enables a customer to trade specific products at reduced rates and lower fees. Under the terms of the organizational documents of our U.S.

exchanges, our members have certain rights that relate primarily to trading right protections, certain trading fee protections and certain membership benefit protections. In 2014, 80% of our contract volume was conducted by our members.

The majority of clearing and transaction fees received from clearing firms represents charges for trades executed and cleared on behalf of their customers. One firm represented 12% of our clearing and transaction fees revenue for 2014. In the event a clearing firm were to withdraw, our experience indicates that the customer portion of the firm's trading activity would likely transfer to another clearing firm of the exchange.

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Competition

The industry in which we operate is highly competitive and we expect competition to continue to intensify, especially in light of changes in the financial services industry driven by regulatory reforms such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), EMIR, Markets in Financial Instruments Directive II (MiFID II), Capital Requirements Directive IV (CRD IV), Market Abuse Directive, Basel III, and various other laws and regulations.

Please also refer to the discussion below and in the “Risk Factors” section beginning on page 14 for a description of competitive risks and uncertainties.

Competition in our Derivatives Business

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

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

We believe that we compete favorably with respect to these factors. Our deep, liquid markets; diverse product offerings; rate and quality of new product development; and efficient, secure settlement, clearing and support services, distinguish us from others in the industry. We believe that in order to maintain our competitive position, we must continue to expand globally; develop new and innovative products; enhance our technology infrastructure, including its reliability and functionality; maintain liquidity and low transaction costs, and implement customer protections designed to ensure the integrity of our market and the confidence of our customers.

We compete in a large financial services trading, clearing and settlement marketplace globally. Our competitors include, among other entities, exchanges such as Intercontinental Exchange, Inc. (ICE); the Hong Kong Exchanges and Clearing Limited; and Deutsche Börse AG. Competition in our industry continues to be dynamic and recent developments and alliances may result in a growing number of well-capitalized trading service providers that compete with all or a portion of our business. For example, the development of swap execution facilities and the mandated trading and/or clearing requirement for certain cleared swaps and privately negotiated products may lead to the creation of platforms that promote competitive substitutes for our exchange-traded and privately negotiated products. Additionally, we face competition from substitute markets. These substitutes can take the form of swaps contracts identical or similar to our listed futures contracts, or risk-similar products on spot and cash markets, securities exchanges, exchange traded funds and other instruments, and other venues and mechanisms that can serve to offset economic risks.

Competition in our Transaction Processing Business

In addition, we face a number of competitors in our transaction processing and other business services. In the past few years, there has been increased competition in the provision of clearing services and we expect competition to continue to increase in connection with the continued implementation of and compliance with Dodd-Frank.

Our competitors in the clearing services space include, among others, companies such as ICE, LCH.SwapClear, the Options Clearing Corporation, Depository Trust & Clearing Corporation and Deutsche Börse AG. In light of the implementation of Dodd-Frank's clearing mandate and other reforms of the financial services industry, we believe that other exchanges and infrastructure providers also may undertake to provide clearing services.

We believe competition in the transaction processing and business services market is based on, among other things, the value of providing customers with capital efficiencies; quality and reliability of the services; creditworthiness of

the clearing house; timely delivery of the services; reputation; offering breadth; confidentiality of positions and information security protective measures; and the fees charged for the services provided.

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Competition in our Market Data Business

Technology companies, market data and information vendors and front-end software vendors also represent actual and potential competitors because they have their own substantial market data distribution capabilities which could serve as alternative means for receiving open market data feeds instead of connecting directly to our exchange. Distributors and consumers of our market data may also use our market data as an input into a product that competes against one of our traded or cleared products. Although we may receive license fees for such products, such fees may not offset the impact of any loss in revenue from our comparable product.

Regulatory Matters

We are primarily subject to the jurisdiction of the regulatory agencies in the United States, the United Kingdom and the European Union. We also are subject to varying levels of regulation by foreign jurisdictions that permit our exchanges and other businesses to offer our products and services to their citizens.

Please also refer to the discussion below and in the “Risk Factors” section beginning on page 14 for a description of regulatory and legislative risks and uncertainties.

Regulation in the United States

Our operation of U.S. futures exchanges and our U.S. clearing house is subject to extensive regulation by the CFTC which requires that our regulated subsidiaries satisfy the requirements of certain core principles relating to the operation and oversight of our markets and our clearing house. The CFTC carries out the regulation of the futures markets and clearing houses in accordance with the provisions of the Commodity Exchange Act as amended by, among others, the Commodity Futures Modernization Act and Dodd-Frank. The CFTC is subject to reauthorization every five years. Following the enactment of Dodd-Frank, the CFTC has moved from a principles-based to a more prescriptive regulatory approach over most aspects of our trading and clearing operations.

Over the past four years, a number of regulations implementing Dodd-Frank were finalized, including rules relating to the implementation of mandatory clearing of certain over-the-counter derivatives, swap reporting, operation of a clearing house, anti-manipulation, large trader reporting, product definitions, the definition of an agricultural commodity and certain provisions of the rules applicable to designated contract markets, swap execution facilities and swap data repositories. We continue to believe the new regulations provide opportunities for our business which we continue to explore. However, portions of Dodd-Frank remain subject to further rulemaking, and such final regulations could include provisions that negatively impact our business.

Our U.S. clearing house has been designated as a systemically important financial market utility and a systemically important derivatives clearing organization. These designations carry with them additional regulatory oversight of certain of our risk-management standards, clearing and settlement activities by the Federal Reserve Bank and the CFTC.

Our U.S. swap data repository service and swap execution facility are also subject to the requirements of the Commodity Exchange Act and the regulations of the CFTC.

Regulation in the United Kingdom and the European Union

In the United Kingdom, the government approved a re-organization of its regulatory framework under which the Financial Services Authority was dissolved and its oversight responsibilities were transitioned in 2013 primarily to the Bank of England and the FCA. As a result, in the United Kingdom our operations are subject to multiple regulators: the Bank of England; the FCA and ESMA. CME Clearing (our U.S. clearing house) is subject to certain conditions and reporting obligations as a result of its recognition by ESMA. The European Union also is undergoing similar change, establishing multiple supervisory authorities for financial services, including ESMA. Multiple directives and regulations such as MiFID II and changes to the Markets in Financial Instruments Regulation (MiFIR); the Capital Requirements Regulations IV and the Market Abuse Directive, have been proposed with provisions similar to those contained in Dodd-Frank.

Key Areas of Focus

We actively monitor and participate in the domestic and international rulemaking processes for our industry, including providing government testimony, commenting on proposed rulemakings and educating our regulators on potential impacts to the marketplace.

Our key areas of focus in the regulatory environment are:

Regulations implementing the core principles for designated contract markets, including any changes to the rules implementing the competitive execution requirements of Core Principle 9. Rules promulgated under this provision may require us to make modifications to the manner in which certain of our contracts trade and/or require that such products be de-listed as futures and re-listed as swaps after a specified compliance period.

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The adoption and implementation of position limit rules, which could have a significant impact on our commodities business if comparable trading venues in foreign jurisdictions are not subject to equivalent limitations.

Rules respecting capital charges under Basel III with respect to clearing members of central counterparties. There is a risk that these new standards may impose overly burdensome capital requirements on our clearing members and customers.

The criteria necessary to be deemed a qualifying central counterparty (QCCP). A failure of our U.S. clearing house to be deemed a QCCP by banking regulators in the United States, European Union or otherwise may result in our clearing members and customers being subject to more stringent capital requirements thus creating a disincentive to use our markets.

The potential impact of MiFID II and MiFIR on non-E.U. clearing houses with customers based in Europe.

The potential elimination of the 60/40 tax treatment of certain of our futures and options contracts, which would impose a significant increase in tax rates applicable to certain market participants, and could result in a decrease in their trading activity.

The implementation of a transaction tax or user fee in the United States or European Union which could discourage institutions and individuals from using our markets or products or encourage them to trade in another less costly jurisdiction.

The implementation of measures to further protect customer funds at the futures commission merchant level, and to ensure confidence in the derivatives markets.

The potential for further regulation stemming from industry performance disruptions and residual concerns around electronic trading activity and, in particular, "high frequency trading."

The implementation of legislation in the European Union impacting how benchmark index prices are formed, including new requirements for price submitters, price aggregators and markets that list contracts that reference index prices.

Concerns that legislators will prohibit or restrict exclusive licenses for benchmark indexes, which might impact the profitability of several of our most popular contracts.

The implementation of rules regarding enhanced liquidity management standards for systemically important derivatives clearing organizations and any potential limitation on the use of U.S. Treasury securities as collateral. Significant limitations on the use of U.S. Treasury securities as collateral could result in increased costs to us and our clearing firms.

Employees

As of December 31, 2014, we had approximately 2,680 employees. We consider relations with our employees to be good.

Senior Leadership Team and Executive Officers

Set forth below is the company's Senior Leadership Team, including those individuals designated executive officers of the company, as of the date of this filing.

Terrence A. Duffy, 56. Mr. Duffy has served as our Executive Chairman and President since May 2012. Mr. Duffy previously served as our Executive Chairman from 2006 and has been a member of our board of directors since 1995. He also served as President of TDA Trading, Inc. from 1981 to 2002 and has been a member of our CME exchange since 1981. Mr. Duffy has been designated as an executive officer.

Phupinder S. Gill, 54. Mr. Gill has served as our Chief Executive Officer and a member of our board of directors since May 2012. Previously, he served as our President from 2007 to May 2012. Mr. Gill joined us in 1988 and since then has held various positions of increasing responsibility within the organization, including President and Chief Operating Officer, and Managing Director and President of CME Clearing and GFX Corporation. Mr. Gill has been designated as an executive officer. Mr. Gill also serves as a director of First Midwest Bancorp. Inc.

Kathleen M. Cronin, 51. Ms. Cronin has served as our Senior Managing Director, General Counsel and Corporate Secretary since 2003. Previously she served as Corporate Secretary and Acting General Counsel from 2002 through 2003. Prior to joining us, Ms. Cronin was a corporate attorney at Skadden, Arps, Slate, Meagher & Flom LLP from 1989 through 1995 and from 1997 through 2002. Ms. Cronin has been designated as an executive officer. Ms. Cronin also serves as a director of Kemper Corporation.

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Sunil Cutinho, 43. Mr. Cutinho has served as President of CME Clearing since September 2014. He joined CME Group in 2002 and since then has held various positions of increasing responsibility within the organization and, most recently served as Managing Director, Deputy Head of CME Clearing from April 2014 through September 2014. Mr. Cutinho has been designated as an executive officer.

Bryan T. Durkin, 54. Mr. Durkin has served as our Senior Managing Director, Chief Commercial Officer since September 2014. He previously served as our Chief Operating Officer since 2007 and also held the title of Managing Director, Products and Services from 2010 to July 2012. Mr. Durkin joined us in connection with the CBOT merger and he previously held a variety of leadership roles with CBOT from 1982 to 2007, most recently as Executive Vice President and Chief Operating Officer. Mr. Durkin also serves as our representative on the board of Bursa Malaysia Derivatives Berhad. Mr. Durkin has been designated as an executive officer.

Jill Harley, 52. Ms. Harley has served as our Managing Director and Chief Accounting Officer on an interim basis since May 2014. Ms. Harley most recently served as our Managing Director, Corporate Finance Services from 2010. She served in the role of Chief Accounting Officer from 2008 to 2010 and, prior to our merger with CBOT Holdings, Ms. Harley served as the Chief Accounting Officer for CBOT Holdings and CBOT from 2004 to 2007. Ms. Harley is a registered certified public accountant. Ms. Harley has been designated as an executive officer.

Julie Holzrichter, 46. Ms. Holzrichter has served as our Senior Managing Director, Chief Operating Officer since September 2014. She previously served as our Senior Managing Director, Global Operations from 2007. Ms. Holzrichter rejoined us in 2006 as our Managing Director, CME Globex Services and Technology Integration. Ms. Holzrichter previously held positions of increasing responsibility in our organization from 1986 to 2003 in trading operations. Ms. Holzrichter has been designated as an executive officer.

William Knottenbelt, 54. Mr. Knottenbelt has served as Senior Managing Director, International since September 2014. He previously served as Senior Managing Director, Europe, Middle East and Africa (EMEA) since February 2014. Previously, Mr. Knottenbelt served as Managing Director, EMEA since joining the company in 2011. Prior to joining CME Group, Mr. Knottenbelt most recently served as Global Head of Futures for the Royal Bank of Scotland (RBS) where he built out the global reach and product offering of RBS futures.

Kevin Kometer, 50. Mr. Kometer has served as Senior Managing Director and Chief Information Officer since 2008. He previously served as Managing Director and Deputy Chief Information Officer from 2007 to 2008. Since joining the company most recently in 1998, he has held senior leadership positions in the Technology Division, including Managing Director, Trading Execution Systems and Director, Advanced Technology. Mr. Kometer was also with the company from 1994 to 1996. Mr. Kometer has been designated as an executive officer.

Hilda Harris Piell, 48. Ms. Piell has served as Senior Managing Director and Chief Human Resources Officer since 2007. Previously she served as Managing Director and Senior Associate General Counsel, as Director and Associate General Counsel and as Associate Director and Assistant General Counsel since joining us in 2000. Ms. Piell has been designated as an executive officer.

John W. Pietrowicz, 50. Mr. Pietrowicz has served as our Chief Financial Officer since December 2014. Previously, Mr. Pietrowicz served as our Senior Managing Director, Business Development and Corporate Finance since 2010. Mr. Pietrowicz joined us in 2003 and since then has held various positions of increasing responsibility, including his most recent position of Senior Managing Director, Business Development and Corporate Finance since 2010 and Managing Director and Deputy Chief Financial Officer from 2009 to 2010 and Managing Director, Corporate Finance and Treasury from 2006 to 2009. Mr. Pietrowicz has been designated as an executive officer. In connection with our investments, Mr. Pietrowicz also serves as a director of Bolsa Mexicana de Valores, S.A.B. de C.V. and of S&P/Dow Jones Indices LLC.

Linda Rich, 51. Ms. Rich has served as our Senior Managing Director, Government Relations and Legislative Affairs since April 2012. Prior to assuming her current role, Ms. Rich served as Managing Director, Government Relations and Legislative Affairs since joining us in 2010. Before joining the company, Ms. Rich served as Senior Vice President, Government Relations for NYSE Euronext. Her background also includes serving as senior counsel to the U.S. House of Representatives Committee on Financial Services and as counsel to the U.S. House of Representatives Committee on Commerce.

Derek Sammann, 46. Mr. Sammann has served as our Senior Managing Director, Commodities and Options Products since September 2014. He previously served as our Senior Managing Director, Financial Products and Services since 2009 and Global Head of Foreign Exchange Products since joining us in 2006. Prior to joining us, Mr. Sammann served as Managing Director, Global Head of FX Options and Structured Products at Calyon Corporate and Investment Bank in London from 1997 to 2006. Mr. Sammann has been designated as an executive officer.

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Kimberly S. Taylor, 53. Ms. Taylor has served as our President, Global Operations, Technology & Risk since September 2014. She previously served as President, CME Clearing since 2004 and as Managing Director, Risk Management in the Clearing House Division from 1998 to 2003. Ms. Taylor has held a variety of positions in the clearing house, including Vice President and Senior Director. She joined us in 1989. Ms. Taylor has been designated as an executive officer.

Sean Tully, 51. Mr. Tully has served as Senior Managing Director, Financial and OTC Products of CME Group since September 2014. He previously served as Senior Managing Director, Interest Rates and OTC Products since February 2014. Previously, he served as Managing Director, Interest Rate and OTC Products since October 2013 and as our Managing Director, Interest Products since joining us in 2011. Before joining the company, Mr. Tully most recently served as Managing Director, Global Head of Fixed Income Trading at WestLB in London. Mr. Tully has been designated as an executive officer.

Julie Winkler, 40. Ms. Winkler has served as Senior Managing Director, Research and Product Development and Index Services of CME Group since 2014. She previously served as Senior Managing Director, Research and Product Development of CME Group since February 2014. Previously, she served as Managing Director, Research and Product Development since 2007. Prior to our merger with CBOT Holdings, Ms. Winkler held positions of increasing responsibility for CBOT Holdings since 1996.

Robert Zagotta, 50. Mr. Zagotta has served as Senior Managing Director, Strategy & Execution since September 2014. He previously served as Senior Managing Director, Products and Services of CME Group since July 2012. Prior to joining the company, Mr. Zagotta most recently served as Executive Vice President, Business Strategy and Execution for Project Leadership Associates (PLA) from 2007 to July 2012, where he worked with CME Group on a number of strategic consulting assignments. Before joining PLA, Mr. Zagotta was CEO and Co-Founder of Fourth Floor Consulting, which was acquired by PLA, and a Senior Manager at PricewaterhouseCoopers. Mr. Zagotta has been designated as an executive officer.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

We track trading volume based on the country of origin of the transaction as disclosed to us by the customer. During 2014, 2013 and 2012, we estimate that approximately 24%, 22% and 21% of our electronic trading volume, respectively, were reported to us as originating from outside the United States.

AVAILABLE INFORMATION

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

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Annual Report on Form 10-K, you should carefully consider the factors discussed below, which are the risks we believe are material at this time. These risks could materially and adversely affect our business, financial condition and results of operations. These risks and uncertainties are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

RISKS RELATING TO OUR INDUSTRY

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

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

- economic, political and geopolitical market conditions;
- legislative and regulatory changes, including any direct or indirect restrictions on or increased costs associated with trading in our markets;
- broad trends in the industry and financial markets;
- changes in price levels, contract volumes and volatility in the derivatives markets and in underlying equity, foreign exchange, interest rate and commodity markets;

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- shifts in global or regional demand or supply in commodities underlying our products;
- competition;
- changes in government monetary policies, especially central bank decisions related to quantitative easing;
- availability of capital to our market participants and their appetite for risk-taking;
- levels of assets under management;
- volatile weather patterns, droughts, natural disasters and other catastrophes;
- pandemics affecting our customer base or our ability to operate our markets; and
- consolidation in our customer base and within our industry.

Any one or more of these factors may contribute to reduced activity in our markets. Historically, periods of heightened uncertainty have tended to increase our trading volume due to increased hedging activity and the increased need to manage the risks associated with, or speculate on, volatility in the U.S. equity markets, fluctuations in interest rates and price changes in the foreign exchange, commodity and other markets. However, as evidenced by our past performance, in the period after a material market disturbance, there may persist extreme uncertainties which may lead to decreased volume due to factors such as reduced risk exposure, lower interest rates, central bank asset purchase programs and lack of available capital. The shifts in market trading patterns we experienced as a result of the financial disturbance of 2008 may or may not recur in the future, and our business will be affected by future economic uncertainties which may result in decreased trading volume and a more difficult business environment for us. Material decreases in trading volume would have a material adverse effect on our financial condition and operating results. We operate in a heavily regulated environment that imposes significant costs and competitive burdens on our business.

We are primarily subject to the jurisdiction of the regulatory agencies in the United States, the United Kingdom and the European Union. We also are subject to varying levels of regulation by foreign jurisdictions that permit our exchanges to offer our products and services to their citizens.

Due to the global financial crisis that began in 2008, the United States and numerous other governments have undertaken reviews of the existing legal framework governing financial markets and have either passed new laws and regulations, or are in the process of debating or enacting new laws and regulations that will impact our business.

While certain of these changes may have a positive impact on our business, some of these changes could adversely affect our business, including areas of regulatory focus discussed under "Item 1 – Business – Regulatory Matters" beginning on page 11. Compliance with regulations may require us and our customers to dedicate significant financial and operational resources that could result in some participants leaving our markets or decreasing their trading activity, which would negatively affect our profitability. We have incurred and expect to continue to incur significant additional costs to comply with the extensive regulations that apply to our business. To the extent the regulatory environment following the implementation of Dodd-Frank and other financial reform regulations is less beneficial for us or our customers, our business, financial condition and operating results could be negatively affected.

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

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

Our clearing houses seek to offer customers, intermediaries and clearing firms universal access in order to maximize the efficient use of capital, exercise appropriate oversight of value at risk and maintain operating leverage from clearing activities. Our strategic business plan is to operate an efficient and transparent vertically integrated transaction execution, clearing and settlement business for our futures and options on futures business. Some of our clearing firms have expressed the view that clearing firms should control the governance of clearing houses or that clearing houses should be operated as utilities rather than as part of for-profit enterprises. Some of these firms, along

with certain industry associations, have sought, and may seek in the future, legislative or regulatory changes to be adopted that would facilitate mechanisms or policies that allow market participants to transfer positions from an exchange-owned clearing house to a clearing house owned and controlled by clearing firms. If these legislative or regulatory changes are adopted, our revenues and profits could be adversely affected.

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We face intense competition from other companies, including some of our members. If we are not able to successfully compete, our business, financial condition and operating results will be materially harmed.

The industry in which we operate is highly competitive and we expect competition to continue to intensify, especially in light of the implementation of Dodd-Frank and other reforms of the financial services industry. We believe portions of Dodd-Frank and the corresponding regulations with respect to mandatory clearing and organized trading provide opportunities for our business. However, other portions of Dodd-Frank and the regulatory structure being implemented could negatively impact our business and our ability to compete effectively. We encounter competition in all aspects of our business, including from entities having substantially greater capital and resources, offering a wide range of products and services and in some cases operating under a different and possibly less stringent regulatory regime. We face competition from other futures, securities and securities option exchanges; over-the-counter markets; clearing organizations; consortia formed by our members and large industry participants; swap execution facilities; alternative trade execution facilities; technology firms, including market data distributors and electronic trading system developers; and others. Many of our competitors and potential competitors have greater financial, marketing, technological and personnel resources than we do.

Our competitors may:

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

If our products, markets and services are not competitive, our business, financial condition and operating results will be materially harmed. A decline in our fees or loss of customers could lower our revenues, which would adversely affect our profitability.

Please see "Item 1 – Business – Competition" beginning on page 10 for additional information on the competitive environment and its potential impact on our business.

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

The success of our business depends, in part, on our ability to maintain and increase our contract volume. To do so, we must maintain and expand our product offerings, our customer base and our trade execution and clearing facilities. Our success also depends on our ability to offer competitive prices and services in an increasingly price-sensitive business. For example, in recent years, some of our competitors have engaged in aggressive pricing strategies, such as lowering the fees that they charge for taking liquidity and increasing liquidity payments or rebates. We cannot provide assurances that we will be able to continue to expand our product lines, that we will be able to retain our current customers or attract new customers or that we will not be required to modify our pricing structure to compete effectively. Changes in our pricing structure may result in a decrease in our profit margin. We bill a substantial portion of our clearing and transaction fees to our clearing firms. The majority of clearing and transaction fees received from clearing firms represent charges for trades executed and cleared on behalf of their customers. One firm represented 12% of our clearing and transaction fees revenue for 2014. Should a clearing firm withdraw, our experience indicates that the customer portion of the firm's trading activity would likely transfer to another clearing firm of the exchange. However, there is the possibility we would lose a portion of the customer business. Additionally, from time to time, certain customers may represent a significant portion of the open interest in our individual product lines or contracts.

If we fail to maintain our contract volume; expand our product offerings or execution facilities; or lose a substantial number of our current customers, or a subset of customers representing a significant percentage of contract volume in a particular product line; or are unable to attract new customers, our business and revenues will be adversely affected. Furthermore, declines in

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contract volume due to loss of customers may negatively impact market liquidity, which could lead to further loss of contract volume.

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

Many aspects of our business involve substantial litigation risks. While we generally are protected by our rules limiting liability for system failures and certain forms of negligence and by statutory limits on private causes of actions in cases where we have not behaved in bad faith, we could be exposed to substantial liability under federal and state laws and court decisions, as well as rules and regulations promulgated and/or direct actions brought by the SEC and the CFTC. These risks include, among others, potential liability from disputes over terms of a trade, the claim that a system failure or delay caused monetary losses to a customer, that we entered into an unauthorized transaction, that we provided materially false or misleading statements in connection with a transaction or that we failed to effectively fulfill our regulatory oversight responsibilities. Dissatisfied customers frequently make claims regarding quality of trade execution, improperly settled trades, mismanagement or even fraud against their service providers. We may become subject to these claims as a result of failures or malfunctions of our systems and services we provide. We could incur significant legal expenses defending claims, even those without merit. In addition, an adverse resolution of any future lawsuit or claim against us could have a material adverse effect on our business and our reputation.

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

We regard the secure transmission of confidential information and the ability to continuously transact and clear on our electronic trading platforms as critical elements of our operations. Our networks and those of our third-party service providers and our customers may be vulnerable to unauthorized access, fraud, computer viruses, denial of service attacks, terrorism, firewall or encryption failures and other security problems. Groups have targeted the financial services industry and our role in the global marketplace places us at greater risk than other public companies for a cyber attack and other information security risks. From time to time, we experienced cyber security events including malware infections, phishing, web attacks and other information technology incidents that are typical for a financial services company of our size. Additionally, in 2013, we were the victim of a cyber intrusion. Although we maintain sophisticated systems, teams and processes to prevent such incidents, and took significant actions to address this incident, we learned that certain customer information was compromised. We incurred expenses of \$16.0 million related to our response to the 2013 event. Any future alleged incidents could result in substantial costs and liability to us and diversions of our resources, may distract the attention of management from the ongoing operation of our business and could result in regulatory penalties or the imposition of burdensome obligations by the regulators. Additionally, our role as a leading derivatives marketplace and the operation of our CME Globex electronic trading platform may place us at greater risk for misappropriation of our intellectual property. For example, in 2012, a former employee of CME Group pled guilty to theft of our trade secrets. Other persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations.

As part of our global information security program, we employ resources to monitor and protect our environment and infrastructure against such cyber attacks and the potential misappropriation of our intellectual property assets. However, these measures may prove insufficient depending upon the attack or threat posed, which could result in system failures and delays, loss of customers and lower contract volume, and negatively affect our competitive advantage and result in substantial costs and liabilities.

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

We may be more likely than other companies to be a direct target of, or an indirect casualty of, attacks by terrorists or terrorist organizations. It is impossible to accurately predict the likelihood or impact of any terrorist attack on the derivatives industry generally or on our business. While we have implemented significant physical security protection measures, business continuity plans and established backup sites, in the event of an attack or a threat of an attack, these security measures and contingency plans may be inadequate to prevent significant disruptions in our business,

technology or access to the infrastructure necessary to maintain our business. Such attack may result in the closure of our trading and clearing facilities or render our backup data and recovery systems inoperable. Damage to our facilities due to terrorist attacks may be significantly in excess of any amount of insurance received, or we may not be able to insure against such damage at a reasonable price or at all. The threat of terrorist attacks may also negatively affect our ability to attract and retain employees. Any of these events could have a material adverse effect on our business, financial condition and operating results.

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RISKS RELATING TO OUR BUSINESS

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

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

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

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

If we do not successfully enhance our electronic trading systems, if we are unable to develop them to include other products and markets or if they do not have the required functionality, performance, capacity, reliability and speed desired by our customers, our ability to successfully compete and our revenues and profits will be adversely affected. Additionally, we rely on our customers' ability to have the necessary back office functionality to support our new products and our trading and clearing functionality. To the extent our customers are not prepared and/or lack the resources or infrastructure, the success of our new initiatives may be compromised.

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

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

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

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

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From time to time, we have experienced system errors and failures that have resulted in some customers being unable to connect to our electronic trading platform, or that resulted in erroneous reporting, such as transactions that were not authorized by any customer or reporting of filled orders as canceled. Such errors may result in CME Group being liable or in our voluntary assumption of financial liability. We cannot assure you that if we experience system errors or failures in the future that they will not have a material adverse impact on our business. Any such system failures that cause an interruption in service or decrease our responsiveness could impair our reputation, damage our brand name or have a material adverse effect on our business, financial condition and operating results.

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

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

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

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