

6. United Kingdom and United States taxation

United Kingdom taxation

The comments set out below are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs) as at the date of this document, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide to certain limited aspects of the U.K. tax treatment of the Scheme and Parts A and B apply only to NEX Shareholders resident and, in the case of an individual, domiciled for tax purposes in the United Kingdom only and to whom “split year” treatment does not apply (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold their shares in NEX (and subsequently any shares in CME) as an investment (other than under a pension arrangement or an ISA or a Lifetime ISA) and who are the absolute beneficial owners thereof (“**U.K. Holders**”). The discussion does not address all possible tax consequences relating to the Scheme. This discussion does not address the tax considerations relevant to the receipt of NEX dividends. Certain categories of shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs and exemptions, those connected with NEX or CME, and those for whom the shares are employment-related securities may be subject to special rules and this summary does not apply to such shareholders.

NEX Shareholders or prospective shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

Part A: Taxation of Chargeable Gains

A U.K. Holder’s liability to U.K. tax on chargeable gains will depend on the individual circumstances of that U.K. Holder and on the form of consideration received.

(a) *Cash*

To the extent that a U.K. Holder receives cash in respect of his or her NEX Shares, that U.K. Holder will be treated as disposing of his NEX Shares which may, depending on the U.K. Holder’s individual circumstances (including the availability of exemptions, reliefs or allowable losses) give rise to a liability to U.K. tax on chargeable gains or, alternatively, an allowable capital loss. The same treatment will apply to U.K. resident NEX ADR Holders, who will receive cash consideration only for their NEX ADRs.

Where a U.K. Holder receives cash in addition to New CME Shares, the U.K. Holder will be treated as having made a part disposal of his NEX Shares, with the chargeable gain being computed on the basis of an apportionment of the allowable cost of the holding by reference to the market value of the holding at the time of disposal.

(b) *New CME Shares*

To the extent that a U.K. Holder receives New CME Shares in exchange for his NEX Shares and does not hold (either alone or together with persons connected with him) more than 5 per cent. of, or of any class of, shares in or debentures of NEX, he or she will not be treated as having made a disposal of his NEX Shares. Instead, the New CME Shares should be treated as the same asset as those NEX Shares and as acquired at the same time and for the same consideration as those NEX Shares.

U.K. Holders who, alone or together with connected persons, hold more than 5 per cent. of, or of any class of shares in or debentures of NEX may be eligible for the treatment described in the preceding paragraph only if the transaction is effected for bona fide commercial reasons and not for tax avoidance purposes pursuant to section 137 of the Taxation of Chargeable Gains Act 1992 (“TCGA”). Such U.K. Holders are advised that clearance has been obtained from HMRC under section 138 of the TCGA that section 137 of that Act will not apply to prevent the treatment described in this paragraph (b).

Part B: Tax Treatment of Holdings of New CME Shares

(a) *Dividends*

CME will not be required to withhold amounts on account of United Kingdom tax at source when paying a dividend.

A U.K. Holder’s liability to tax on dividends will depend upon the individual circumstances of the U.K. Holder.

Distributions with respect to New CME Shares generally will be subject to U.S. withholding tax of 30% unless a valid claim is made for a reduced rate based on an applicable income tax treaty or other basis for reduction. Under the income tax treaty between the United Kingdom and the United States, dividends are generally subject to withholding at a 15% rate, though lower rates may apply for investors that are companies and that are treated as owning at least 10 percent of the voting shares of CME. U.K. Holders are referred to the statements regarding U.S. tax in Part VI (*Additional Information*) of this document and to their own advisers regarding the application of these rules in their particular circumstances. The following paragraphs proceed on the basis that withholding tax will be levied in the United States on dividend payments in respect of the New CME Shares.

(i) *Credit for United States withholding tax*

If a U.K. Holder receives a dividend in respect of the New CME Shares and the dividend is paid subject to United States withholding tax, credit for such withholding tax may be available for set-off against a liability to U.K. income tax or U.K. corporation tax on the dividend. The amount of such credit will normally be equal to the lesser of the amount withheld and the liability to U.K. tax on the dividend. Such credit will not normally be available for set-off against a U.K. Holder’s liability to U.K. tax other than on the dividend and, to the extent that such credit is not set-off against U.K. tax on the dividend, the credit will be lost. Credit will not be available to the extent that the United States withholding tax can be minimised or repaid by taking reasonable steps under a double tax treaty or a provision of United States tax law.

(ii) *Individual U.K. Holders*

Under current U.K. tax rules specific rates of tax apply to dividend income. These include a nil rate of tax for the first £2,000 and different rates of tax for dividend income that exceeds the nil rate band. For these purposes, “dividend income” includes U.K. and non-U.K. source dividends and certain other distributions in respect of shares.

An individual U.K. Holder who receives a dividend from CME will not be liable to U.K. tax on the dividend to the extent that (taking account of any other dividend income received by the U.K. Holder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other dividend income received by the U.K. Holder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5 per cent., to the extent that it is within the higher rate band, or 38.1 per cent., to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a U.K. Holder’s income. In addition,

dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

(iii) *Corporate U.K. Holders*

U.K. Holders who are within the charge to U.K. corporation tax will be subject to U.K. corporation tax at the rate of 19 per cent. (due to reduce to 17 per cent. from 1 April 2020) on dividends paid by CME unless (subject to special rules for such U.K. Holders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each U.K. Holder's position will depend on its own circumstances, although it would normally be expected that most dividends paid on the New CME Shares to U.K. resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. It should be noted, however, that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

(iv) *Exempt U.K. Holders*

Particular U.K. Holders, including certain pension funds and charities, will not generally be subject to U.K. tax on dividend receipts.

(b) *Future Disposal of New CME Shares*

A subsequent disposal of New CME Shares may, depending on individual circumstances (including the availability of exemptions, reliefs and allowable losses), give rise to a liability to U.K. tax on chargeable gains.

Part C: U.K. Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

(a) *Receipt of New CME Shares*

No U.K. stamp duty or SDRT will be payable by NEX Shareholders on the exchange of their NEX Shares for New CME Shares and/or cash under the Scheme.

(b) *Subsequent transfer of New CME Shares or CME CDIs*

No U.K. stamp duty will be payable in respect of a paperless transfer of the New CME Shares or CME CDIs.

No U.K. stamp duty will be payable on a written transfer of New CME Shares or CME CDIs if such transfer is executed and retained outside the U.K. and does not relate to any property situated in the U.K. or to any other matter or thing done or to be done in the U.K. (which may include, without limitation, the involvement of U.K. bank accounts in payment mechanics).

No U.K. stamp duty reserve tax will arise in respect of an agreement to transfer New CME Shares or CME CDIs.

United States taxation

The following is a general summary based on present law of certain U.S. federal income tax consequences of: (i) in the case of NEX Shareholders, (a) exchanging their NEX Shares for a combination of cash and New CME Shares pursuant to the Scheme and (b) holding and disposing of the New CME Shares; and (ii) in the case of NEX ADR Holders, exchanging their ADRs for cash pursuant to the Scheme. This summary applies only to NEX Shareholders or NEX ADR Holders that hold NEX Shares or NEX ADRs, respectively, or will hold New CME Shares, as capital assets. The following is a general summary; it is not a substitute for tax advice.

It does not address all of the issues that may be relevant to the tax treatment of holders in light of their particular circumstances or holders subject to special rules, such as banks or other financial institutions, tax-exempt entities, insurance companies, dealers, traders in securities that elect to mark-to-market, U.S. holders liable for alternative minimum tax, U.S. expatriates, U.S. holders that directly, indirectly or constructively own (or will own) 10% or more (measured by vote or value) of the stock of NEX or CME, U.S. Holders whose functional currency is not the U.S. dollar, or holders that have held NEX Shares or NEX ADRs, or will hold New CME Shares, as part of a straddle, hedging, conversion or other integrated transaction.

Furthermore, this discussion does not address any other United States federal tax consequences (e.g., estate or gift tax or the Medicare tax on net investment income) or any state, local or foreign tax laws. This discussion is not intended to constitute a complete analysis of all tax consequences of the ownership and disposition of New

CME Shares. Holders are urged to consult their tax advisors regarding the United States federal, state, local and foreign income and other tax consequences to them in their particular circumstances.

EACH HOLDER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISER ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF THE SCHEME AND AN INVESTMENT IN NEW CME SHARES UNDER THE LAWS OF THE UNITED KINGDOM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE HOLDER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of NEX Shares, NEX ADRs or New CME Shares that is, for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other business entity treated as a corporation, created or organised in or under the laws of the United States or its political subdivisions; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court. For purposes of this discussion, the term “Non-U.S. Holder” means a beneficial owner of NEX Shares, NEX ADRs, or New CME Shares that is not an entity or arrangement treated as a partnership for United States federal income tax purposes and is not a U.S. Holder.

The U.S. federal income tax treatment of a partner in a partnership that holds NEX Shares or NEX ADRs, or will hold New CME Shares, will depend on the status of the partner and the activities of the partnership. Partners in a partnership that holds NEX Shares or NEX ADRs, or will hold New CME Shares, should consult their own tax advisers regarding the specific U.S. federal income tax consequences to them of the partnership: (i) exchanging NEX Shares for cash and New CME Shares or NEX ADRs for cash pursuant to the Scheme; and (ii) holding or disposing of New CME Shares.

NEX ADR Holders generally will be treated for U.S. federal income tax purposes as beneficial owners of NEX Shares represented by the NEX ADRs.

U.S. Holders

Exchange of NEX Shares and NEX ADRs in the Scheme and dispositions of New CME Shares by U.S. Holders

A U.S. Holder will generally recognise capital gain or loss for U.S. federal income tax purposes upon the exchange of NEX Shares or NEX ADRs in an amount equal to the difference between the amount realised on such sale or exchange and the U.S. Holder’s adjusted tax basis. This amount realised will generally be equal to the sum of the U.S. dollar value of the amount of any cash and the fair market value of any New CME Shares (including any fractional share interest to which the U.S. Holder is entitled), received pursuant to the Scheme. In addition, a U.S. Holder will generally recognise capital gain or loss for U.S. federal income tax purposes upon the disposition of New CME Shares in an amount equal to the difference between the amount realised on such sale or exchange and the U.S. Holder’s adjusted tax basis. A U.S. Holder’s basis in its New CME Shares (including any fractional share interest to which the U.S. Holder is entitled) will be equal to the fair market value of those shares on the date of receipt, and its holding period in the New CME Shares will begin on the date of receipt.

This capital gain or loss generally will be long-term capital gain or loss if the U.S. Holder’s holding period in the NEX Shares, NEX ADRs, or New CME Shares exceeds one year. However, regardless of the holding period of a non-corporate U.S. Holder, a loss may be long-term capital loss to the extent such U.S. Holder received “qualified dividend income” with respect to any dividends with ex-dividend dates during a consecutive 85-day period which exceeded 10 per cent. of the U.S. Holder’s basis in its NEX Shares (including NEX Shares represented by ADRs) or New CME Shares or with respect to any dividends on NEX Shares, NEX ADR, or New CME Shares with ex-dividend dates during a consecutive 365-day period which in the aggregate exceeded 20 per cent. of the U.S. Holder’s basis in its NEX Shares (including NEX Shares represented by ADRs) or New CME Shares, as applicable. The deductibility of capital losses is subject to significant limitations. Capital gains of non-corporate U.S. Holders are taxable at preferential rates. Any gain or loss generally will be U.S. source. Gain recognised by non-corporate U.S. Holders generally will be includable in computing net investment income of such U.S. Holders for purposes of the 3.8 per cent. Medicare surtax on net investment income.

U.S. Holders entitled to a fractional share interest in CME pursuant to the Scheme generally will recognise capital gain or loss on the receipt of cash pursuant to the sale of the fractional share interest equal to the difference between the U.S. dollar value of the cash received (or deemed received) and the U.S. Holder’s basis in the interest. U.S. NEX ADR Holders generally will recognise capital gain or loss on the receipt of cash

pursuant to the sale of New CME Shares by the NEX Depository equal to the difference between the U.S. dollar value of cash received (or deemed received) and the U.S. Holder's basis in the New CME Shares they are deemed to have received.

A disposition of NEX Shares or NEX ADRs pursuant to the Scheme, or the sale of fractional shares interests in CME or of New CME Shares by the NEX Depository, by a U.S. Holder in exchange for currency other than such U.S. Holder's functional currency may result in such holder recognizing foreign currency gain or loss (taxable as ordinary income or loss). U.S. Holders should consult their own tax advisers regarding the specific tax consequences of such a disposition.

Distributions on New CME Shares held by U.S. Holders

In the event that CME makes a distribution of cash or other property in respect of New CME Shares, the distribution generally will be treated as a dividend to the extent of the U.S. Holder's share of CME's current and accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent a distribution exceeds current and accumulated earnings and profits, the distribution will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the New CME Shares and any remaining amount will be treated as capital gain. If the payor of a distribution is unable to determine whether the distribution is paid out of current or accumulated earnings and profits, the entire distribution must be treated and reported as a dividend under applicable information reporting requirements. Any portion of a distribution that exceeds CME's current and accumulated earnings and profits will generally be treated first as a tax-free return of capital, on a share-by-share basis, to the extent of the U.S. Holder's tax basis in its New CME Shares, and, to the extent such portion exceeds the U.S. Holder's tax basis in its New CME Shares, the excess will be treated as a gain from the disposition of such New CME Shares, the tax treatment of which is discussed above.

Dividends may be eligible for the preferential tax rate applicable to "qualified dividend income" of eligible non-corporate U.S. Holders, provided certain conditions are met, including certain holding period requirements. Dividends received by non-corporate U.S. Holders generally will be includable in computing net investment income of such U.S. Holders for purposes of the 3.8 per cent. Medicare surtax on net investment income.

Non-U.S. Holders

Exchange of NEX Shares and NEX ADRs in the Scheme and dispositions of New CME Shares by Non-U.S. Holders

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realised upon the sale, exchange or other taxable disposition (including pursuant to the Scheme) of NEX Shares, NEX ADRs or New CME Shares unless:

- the gain is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States and, where required by an applicable income tax treaty, the gain is attributable to such Non-U.S. Holder's permanent establishment in the United States; or
- such Non-U.S. Holder is an individual present in the United States for 183 days or more in the calendar year of the sale, exchange or other taxable disposition and certain other conditions are satisfied.

A gain that is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States and, where required by an applicable income tax treaty, will be subject to tax on a net income basis at regular graduated U.S. federal income tax rates in the same manner as if such Non-U.S. Holder were a United States person as defined under the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"). A Non-U.S. Holder that is a corporation may also be subject to a branch profits tax equal to 30%, or such lower rate as may be specified by an applicable income tax treaty, of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. An individual Non-U.S. Holder present in the United States for 183 days or more in the calendar year of the sale, exchange or other taxable disposition (and where certain other conditions are satisfied) will be required to pay (subject to applicable income tax treaties) a flat 30% tax on the gain derived from the sale, which may be offset by certain United States source capital losses, even though the individual is not considered a resident of the United States.

Distributions on New CME Shares held by Non-U.S. Holders

In the event that CME makes a distribution of cash or other property in respect of New CME Shares, the distribution generally will be treated as a dividend to the extent of the Non-U.S. Holder's share of CME's current and accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent a distribution exceeds current and accumulated earnings and profits, the distribution will be treated as a

non-taxable return of capital to the extent of the Non-U.S. Holder's basis in the New CME Shares and any remaining amount will be treated as capital gain. If the payor of a distribution is unable to determine whether the distribution is paid out of current or accumulated earnings and profits, the entire distribution must be treated and reported as a dividend under applicable information reporting requirements. Any portion of a distribution that exceeds CME's current and accumulated earnings and profits will generally be treated first as a tax-free return of capital, on a share-by-share basis, to the extent of the Non-U.S. Holder's tax basis in its New CME Shares, and, to the extent such portion exceeds the Non-U.S. Holder's tax basis in its New CME Shares, the excess will be treated as gain from the disposition of such New CME Shares, the tax treatment of which is discussed above.

The gross amount of dividends paid to a Non-U.S. Holder generally will be subject to withholding of U.S. federal income tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States (and, where required by an applicable income tax treaty, are attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States) are not subject to this withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to U.S. federal income tax on a net income basis at regular graduated U.S. federal income tax rates in the same manner as if the Non-U.S. Holder were a United States person as defined under the Internal Revenue Code. Any such effectively connected dividends received by a non-U.S. corporation may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A Non-U.S. Holder that wishes to claim the benefit of an applicable income tax treaty for dividends will be required to provide the applicable withholding agent with a valid IRS Form W-8BEN or Form W-8BEN-E (or other applicable form) and certify under penalties of perjury that such holder is not a United States person as defined under the Internal Revenue Code and is eligible for treaty benefits. This certification must be provided to the applicable withholding agent prior to the payment of dividends and may be required to be updated periodically. If New CME Shares are held through a non-U.S. partnership or non-U.S. intermediary, the non-U.S. partnership or non-U.S. intermediary will also be required to comply with additional certification requirements under applicable Treasury regulations.

A Non-U.S. Holder eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Information Reporting and Backup Withholding

Payments of dividends and other proceeds to Non-U.S. Holders and the tax withheld with respect to such amounts (regardless of whether withholding was required) with respect to New CME Shares (and payments made pursuant to the Scheme if made to or through a U.S. broker or agent) will be reported to the U.S. Internal Revenue Service. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty or tax information exchange agreement. Payments of dividends in respect of, or proceeds on the disposition of, New CME Shares (and payments made pursuant to the Scheme if made to or through a U.S. broker or agent) may be subject to additional information reporting and backup withholding unless such Non-U.S. Holder establishes an exemption, for example by properly certifying that such Non-U.S. Holder is not a United States person as defined under the Internal Revenue Code on an IRS Form W-8BEN or another appropriate version of Form W-8 (provided that the payor does not have actual knowledge or reason to know that such Non-U.S. Holder is a United States person).

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from payments made to a Non-U.S. Holder will reduce the Non-U.S. Holder's U.S. federal income tax liability. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided the required information is timely furnished to the IRS. A Non-U.S. Holder should consult its tax advisor regarding the application of the information reporting and backup withholding rules.

Under rules generally referred to the Foreign Account Tax Compliance Act ("FATCA") rules, withholding at a rate of 30% will be required on dividends in respect of (and, after 31 December 2018, withholding at a rate of 30% will be required on gross proceeds from the sale of) New CME Shares held by or through certain non-U.S. financial institutions (including investment funds), unless such institution satisfies certain reporting requirements with respect to shares in, and accounts maintained by, the institution to the extent such shares or accounts are held by certain United States persons or by certain non-U.S. entities that are wholly or partially owned by United States persons. Accordingly, the entity through which New CME Shares are held will affect

the determination of whether such withholding is required. Similarly, dividends in respect of (and, after 31 December 2018, gross proceeds from the sale of) shares of common stock held by a non-financial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies that such entity does not have any substantial United States owners or (ii) provides certain information.

THE SUMMARY ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR HOLDER. EACH HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES OF PARTICIPATION IN THE SCHEME, ANY REPORTING OR FILING OBLIGATIONS ARISING AS A RESULT OF SUCH PARTICIPATION, AND THE TAX CONSEQUENCES OF ACQUIRING, HOLDING, OR DISPOSING OF NEW CME SHARES, IN LIGHT OF THE HOLDER'S OWN CIRCUMSTANCES.