

12/12/2007

To the CME Group Community,

We would like to update you on CME Group's position regarding securities regulation reform: we believe that talk of merging the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) is misguided.

There is a rapidly expanding consensus that regulation of the U.S. securities industry has not kept pace with the globalization of the financial services industry and that U.S. firms and markets have lost ground to competitors in jurisdictions that have streamlined their regulatory systems. CME Group is a strong supporter of regulatory reform, as evidenced by our recent response to the Treasury Department's request for comment in connection with its review of the "Regulatory Structure Associated with Financial Institutions," which can be found at <http://www.regulations.gov/fdmspublic/component/main?main=DocumentDetail&d=TREAS-DO-2007-0018-0131.1> (click on PDF document adjacent to "Views"). We believe that the very successful principles-based regulation of the futures industry should be extended to the securities industry.

Unfortunately, the perceived need to reform securities regulation has created an opportunity for the SEC and some in Congress to seek to advance their long-standing demands for a merger of the SEC and the CFTC. The proponents of SEC/CFTC merger miss the obvious point: the regulatory weakness which contributes to competitive concerns in the securities industry is not the existence of two separate agencies, but instead is reliance on antiquated, isolationist policies. The cumbersome, prescriptive rules-based architecture for regulation of U.S. securities markets is more than 70 years old and has largely become an anachronism in modern global financial markets.

In contrast, the U.S. regulatory regime for derivatives markets is principles-based, like most financial markets outside the U.S. today, and is a newly-minted model which anticipated the successful financial reform legislation in Europe. The Commodity Futures Modernization Act of 2000 has demonstrably enhanced innovation, competition and global participation in both futures exchanges and the OTC derivatives markets. Futures market regulation is flexible, calibrating the level of regulation to the needs of customers and the market. Finally, under the leadership of the CFTC, we have moved to a regime that has created an informal passport for cross-border trading. This greatly enhanced opportunities for U.S. exchanges. CME Group can now efficiently distribute our products in foreign jurisdictions without the burden of meeting different, but not necessarily better, regulatory requirements in each of the dozens of jurisdictions where we do business.

CME Group believes that securities market regulation is in need of reform and modernization. However, it will not improve by giving a single agency power over both securities and derivatives trading. Other leading commentators, including the Futures Industry Association, the Managed Funds Association and NYSE Euronext, have agreed with this position. Although we recognize that there could be administrative benefits for some entities that participate in both markets, any benefits would clearly be outweighed by the disadvantages of a merger of two very different government agencies with very different purposes, as well as incompatible philosophies and cultures. Any such merger proposal must be treated with great skepticism. The inadequacies of securities market regulation need to be resolved by reform of that regulatory regime, not by subjecting derivatives markets to a system that is not credible in a globally competitive economy.

Our markets are strong. They are THE leading markets in the global arena. The Commodity Futures Modernization Act of 2000 has facilitated competition and has contributed to the explosion in derivatives trading volume.

We will continue to work hard to ensure that government and regulatory officials understand the globally competitive environment in which we operate, the competition between CME Group and foreign exchanges and the competition between CME Group and the largely exempt OTC derivatives markets. We will continue to highlight the risks of losing our competitive strength in any merger of two incompatible regulatory systems.

A handwritten signature in black ink, appearing to read "Tony". The letters are fluid and cursive, with a prominent loop at the end of the "y".A handwritten signature in black ink, appearing to read "Craig". The letters are fluid and cursive, with a distinct loop at the end of the "g".