

CME GROUP INC.
Form DEFA14A
April 25, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CME GROUP INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required

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On April 25, 2012, representatives of CME Group Inc. (the Company) met with representatives of ISS Proxy Advisory Services to discuss the Company s 2012 annual meeting and related proposals. A copy of the materials from such meeting are attached hereto.

Presentation to ISS:
CME Group 2012 Annual
Meeting
April 25, 2012

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Enhancements to our Compensation Program

Enhancements to our Corporate Governance

Practices

Related Party Transactions
Agenda

Enhancements to our
Compensation Program

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Since our last annual meeting, we have implemented the following
improvements to our compensation program:

Performance
shares
added
to
our
2011
annual
equity
grants

In 2012, we have increased the performance period for such shares from
one
to
three
years,
linking

the
awards
to
long-term
performance

For 2012, we have added a new long-term performance measure
tied to
three-year growth in our cash earnings on a per share basis

For 2012, we have increased from 25% to 50%
the amount of the annual
equity award delivered in performance shares
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We Have Enhanced Alignment
of Pay with Performance
Tied to our achievement of 2012 cash earnings and annual total shareholder return
relative to the S&P 500
Cash earnings is the measure we use to evaluate the overall
performance of the
Company and to determine dividend payouts

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Our CEO's realized and potential compensation has been aligned with our performance, measured by total shareholder return year-over-year on an indexed basis, and we have achieved consistent growth in our cash earnings.

See pages 40 and 41 of the proxy statement for more detail

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The following table shows the increase in the portion of compensation tied to cash earnings achievement and total relative shareholder return

for our named executive officers. We believe the composition of this

performance-based pay will increase to approximately 50% in 2012 based on the increase in the awards from 25% to 50% of the annual grant.

26%

39%

74%

61%

0%

20%

40%

60%

80%

100%

2010

2011

Percent of NEOs Target Compensation Tied to Cash
Earnings Achievement and Total Shareholder
Return Relative to the S&P 500

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Our short-term incentive program is performance based
and is tied to
our achievement of cash earnings:

2010 -

Cash earnings achievement was 110% of target

2011 -

Target
increased

11%

vs.

prior

year

actual

cash

earnings

Cash earnings achievement was 101% of target

Bonuses for all of our named executive officers decreased
from 2010

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We believe the ISS peer group should include other financial exchanges such as The NASDAQ OMX Group, Inc. and NYSE Euronext, who are similarly sized in terms of revenue

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Analysis of Pay Relative
to Peers
Ticker
Revenues

Assets

CME

\$3.3B

\$40.8B

NDAQ

\$3.4B

\$14.1B

NYX

\$4.6B

\$13.1B

Revenues better reflect the size of financial exchanges where the objective is to collect clearing and transaction fees which are booked as revenues not assets
Almost 25% of our assets consist of performance bonds and guaranty fund contributions in the form of cash that are held as part of our clearing guarantee; our financial statements include an equal and offsetting liability for the same amount of these assets
Approximately 40% of our assets relates to the intangible value of our trading products, recorded as a result of our various mergers

Enhancements to our
Corporate Governance
Practices

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We Enhanced our
Corporate Governance
Practices

In response to shareholder concerns, we have instituted the following improvements in our corporate governance:

We did not renew our shareholder rights plan and it expired in accordance with its terms

Seeking shareholder approval at the 2012 Annual Meeting to declassify our Board and move to annual elections as of the 2014 Annual Meeting

We are continuously evaluating ways to reduce the size of our Board while ensuring that we maintain the appropriate expertise, industry knowledge and skills to effectively oversee our complex, highly regulated business and it will be reduced by two as of the 2012 Annual Meeting

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CME Group received a shareholder proposal from Norges Bank, the
central bank for the Government of Norway, for a binding bylaw
amendment providing for proxy access:

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Proxy Access Proposal
Ownership
Threshold:
1%
or
more
of
our
outstanding
common
stock
beneficially owned by a shareholder or group of shareholders
Holding
Period:
Continuously

for
1
year
prior
to
the
submission
of
the
nomination with an intention to hold through the meeting date
Maximum
Proportion
of
Directors
Subject
to
Nomination:
25%

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We believe that ISS should recommend AGAINST

the proxy access

proposal at CME Group for the following reasons:

A 1% holder at CME Group is the owner of an investment of less than \$200 million

Proxy access combined with our existing Class B shareholder director election

rights

would

result

in

40%

of

our
Board
being
subject
to
nomination outside of our independent Board Nominating Committee

As we move to decrease the size of our Board, this percentage would increase

This
could
result
in
significant
turnover
in
our
Board
which
other
recipients
of
the
proposal
are not subjected to

We are governed by the CFTC which has additional director
composition requirements we are required to satisfy that do not apply to
other public companies

CFTC proposed rules include a mandate that at least 35% of our Board be comprised of
public
directors as defined by the CFTC

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Proxy Access Proposal

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We believe that ISS should recommend FOR
the election of Dennis H.
Chookaszian:

In its 2011 advisory report, ISS noted that Dennis Chookaszian serves as a non-independent member of the Audit Committee

Classification based on Mr. Chookaszian's son being employed by a consultant CME Group has engaged

CME
Group
relationship
with
the
consulting

firm
pre-dated
Mr.
Chookaszian's
service on our Board and his son's affiliation with the firm

After an extensive sourcing process, we independently determined such consulting firm had the best understanding of our unique business

As confirmed
by
Internal
Audit,
the
fees
charged
are
reasonable
and
available
to
other
companies

Disclosure of a related party transaction in accordance with SEC regulations should not be a substitute for assessing independence

Mr. Chookaszian has extensive experience benefiting the CME Group Board and its Audit Committee

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Related Party
Transactions

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In summary, we believe that ISS should recommend that its clients:

Questions regarding CME Group's annual meeting and the related proposals may be directed to meg.wright@cmegroup.com

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Conclusion

Vote FOR the advisory approval of the compensation of our named executive officers

Vote AGAINST the binding shareholder proposal for proxy access

Vote FOR the election of Dennis H. Chookaszian