

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC  
Form DEFA14A  
February 11, 2004

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 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

x Soliciting Material Pursuant to §240.14a-12

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**Chicago Mercantile Exchange Holdings Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**The following presentation was made to the Class B shareholders of Chicago Mercantile Exchange Holdings Inc. on February 11, 2004.**

**Chicago Mercantile Exchange**

[PHOTO HERE]

## **Member Meeting**

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**Wednesday Feb 11, 2004**

## Competitive Situation: Liffe s Eurodollar offering

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### Euronext.LIFFE will list Eurodollar on March 18

- **Euronext.LIFFE s Product Offering**
  - ◆ Clone of CME Eurodollar futures and options
  - ◆ Limited to 5 years out the curve
  
- **Euronext.LIFFE s Value Proposition: *The STIR Exchange***
  - ◆ All Major short-term interest rate products under one roof
    - Euribor, Short Sterling, Short Swiss Franc, Yen and Eurodollar
  - ◆ Traded One Exchange
    - One Platform
    - One Screen
    - One set of trading rules
    - One Margining System
      - ◆ Cross-margining with other LIFFE STIR products

## **Eurodollar Growth Strategy**

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### **Programs announced February 10**

- ◆ **Expanded Market Maker Program**
  
- ◆ **Handheld incentives**
  
- ◆ **Special Meeting of Class B Shareholders**

## **Market Maker Program Enhancement**

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### **Current ETH Program Summary**

- **Discounted fees for traders who make and fulfill a commitment to building and maintaining GLOBEX liquidity**
  - ◆ **GLOBEX fees waived for members and member firms**

### **Enhancements**

- **Extend ETH program to include RTH session from 7:20 am to 2:00 pm**
- **Expand the number of participants to target of 15**
- **Include non-member proprietary trading firms and arcade**
  - ◆ **22¢ all-in fee for non-member proprietary trading firms and arcades**



## **Handheld Incentives**

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**Promote side by side trading by providing the following incentives to handheld users:**

- **Eliminate costs associated with electronic trading for accounts that average 500+ sides per day on handhelds**
  - ◆ Waive handheld hardware charge
  - ◆ Waive VPN access charges
- **Trades for a member's account will receive member rates if entered into a handheld by their lessee clerk**
- **Total of 400 handhelds are available for Eurodollars**
  - ◆ 60 currently in use
  - ◆ 60 applications received
  - ◆ 280 additional available for allocation
- **We will expedite distribution of handhelds**

## **Special Meeting of Class B Shareholders**

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### **Proposal Summary**

- **Grant the CME Board authority to act**
- **If GBX %  $\geq$  25%, no action would be taken**
- **If GBX % is  $<$ 25%, action is authorized**
- **Ten day minimum notice; Likely more required**

## How we will determine the initial GLOBEX Percentage

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For each day in the period March 8-12 we will:

- **Determine RTH GLOBEX volume**
  - ◆ Volume for all March 04 and June 04 GLOBEX RTH trades
  
- **Determine RTH Pit volume**
  - ◆ Includes all outrights in both March 04 and June 04 Contracts
  
  - ◆ Only includes all March 04-June 04 spreads
  
  - ◆ Does not include any pack, bundle, or spread that includes any contract other than March 04 and June 04
  
  - ◆ Exclude second quarterly for 2 weeks after the roll
  
- Calculate  $\frac{\text{GLOBEX}}{(\text{Pit} + \text{GLOBEX})} = \text{GBX}\%$



## **Mechanics of the Referendum**

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**Notice of special meeting and proxy statement mailed to Class B shareholders of record as of February 20, 2004**

**On or about  
Feb. 25, 2004**

**Class B shareholders may vote on the proposal over the Internet, by telephone or by returning the proxy card by mail.**

Proxies not delivered in person must be received prior to the special meeting as set forth in the proxy statement.

**Feb. 25 to March 16**

**Special meeting**

**March 16, 2004**

**Class B shareholder may vote in person at the meeting**

[CME LOGO]

Chicago Mercantile Exchange

[PHOTO HERE]

## **Member Meeting**

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**Wednesday Feb 11, 2004**

## **Eurodollar Growth Strategy**

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### **Previously CME has announced programs to**

- **Expand our electronic product offering**
  - ◆ Enhance Eurodollar Options through Liquidity Direct
  
- **Enhance GLOBEX**
  - ◆ Additional implied calendars, packs, butterflies
  
  - ◆ Upgrade processing capabilities
  
- **Attract new market participants**
  - ◆ European Incentive Plan
  
  - ◆ Electronic Corporate Membership
  
  - ◆ Asian Incentive Plan

## **Expand Electronic Product Offering**

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### **New Eurodollar options electronic market in 2004**

- **Liquidity Direct platform**
  - ◆ **Flexible electronic Eurodollar option trading platform**
  - ◆ **Plans to include e-RFQ for size**
  - ◆ **Transparent, competitive alternative to LIFFE's upstairs market**
    - **Expected launch date late Summer 2004**



## **Enhance GLOBEX**

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### **New features and improved performance**

- **Expand implied spread trading (Eagle 2.0)**
  - ◆ Yearly and monthly calendar spreads
  - ◆ Yearly packs
  - ◆ 3-month and yearly butterflies
- **Upgrade Processing Capabilities**

## Attract new market participants

### Programs to make it easier for traders to try CME

- **Electronic Corporate Membership**

- ◆ Targeted at Proprietary Trading Firms and Arcades
- ◆ 44¢ flat rate for most electronic trades (big equity 88¢)
- ◆ Customer rates for open outcry trades
- ◆ Same B share holding requirements as current 106H membership waived through October 2005

- **Asian Incentive Plan**

- ◆ Targeted at banks and hedge funds in Pacific Rim
- ◆ 18 month incentive program provides discounted fees through October 2005

	GLOBEX	Open outcry
FX	70¢	45¢
IR	44¢	49¢
EQ	\$1.08	58¢
E-mini	54¢	N/A

\* \* \*

Chicago Mercantile Exchange Holdings Inc. will file a preliminary proxy statement with the Securities and Exchange Commission (the SEC) regarding the Special Meeting of shareholders to be held on March 16, 2004. In addition, Chicago Mercantile Exchange Holdings Inc. will be filing a definitive proxy statement and other relevant documents concerning the Special Meeting with the SEC. Shareholders are urged to read the preliminary proxy statement, the definitive proxy statement and any other relevant documents filed with the SEC because they contain, or will contain, important information about Chicago Mercantile Exchange Holdings Inc. and the Special Meeting. The preliminary proxy statement and the definitive proxy statement and other relevant materials (when they become available), and any other documents filed by Chicago Mercantile Exchange Holdings Inc. with the SEC, may be obtained free of charge at the SEC's Web site at [www.sec.gov](http://www.sec.gov). In addition, shareholders may obtain free copies of these documents by contacting Chicago Mercantile Exchange Holdings Inc., Shareholder Relations and Membership Services, 20 South Wacker Drive, Chicago, Illinois 60606. Shareholders are urged to read the preliminary proxy statement and the definitive proxy statement and the other relevant materials (when they become available) before making any voting decision with respect to matters to be acted on at the Special Meeting.

Chicago Mercantile Exchange Holdings Inc., its directors, executive officers and certain other members of management and employees may be soliciting proxies from shareholders in favor of the proposal. Information concerning the participants in the solicitation will be set forth in the preliminary proxy statement to be filed by Chicago Mercantile Exchange Holdings Inc. with the SEC on February 10, 2004.