

# **CME Clearing Europe Limited**

Registered No. 06922932

## **Report and Financial Statements**

For the year ended 31 December 2017



## **Corporate Information**

### **Legal Form**

Private company limited by shares

### **Country of Incorporation and Domicile**

United Kingdom

### **Directors**

T Hasenpusch  
W Knottenbelt

### **Secretary**

A Seaman

### **Auditors**

Ernst & Young LLP  
Bedford House  
16-22 Bedford Street  
Belfast BT2 7DT

### **Bankers**

Barclays Bank plc  
128 Moorgate  
London, EC2M 6SX

### **Registered Office**

One New Change  
London, EC4M 9AF

### **Solicitors**

Norton Rose Fulbright LLP  
3 More London Riverside  
London, SE1 2AQ

## Strategic report

The directors present their strategic report for the year ended 31 December 2017.

### Results and dividends

The loss for the year after taxation amounted to £849,559 (2016: £425,518). A dividend amounting to £68,827,427 was paid on 11 December 2017 (2016: £nil).

### Principal activities and review of the business

CME Clearing Europe Limited ('the Company') was incorporated under English law on 3 June 2009. It is a wholly-owned subsidiary of CME Finance Holdings Limited, whose ultimate parent is CME Group Inc ('CME') which is registered in Delaware, USA. The Company, which is based in London, was granted Recognised Clearing House status under the UK Financial Services and Markets Act 2000 (as amended) ('FSMA') by the UK Financial Services Authority (FSA) in November 2010, and began its business operations in May 2011. Regulatory supervision was transferred to the Bank of England (BoE) in April 2013. In August 2014 the Company received its authorisation as a central counterparty under EU Regulation No. 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Markets and Infrastructure Regulation (EMIR)). In 2015, the Company achieved inclusion in the list of prescribed 'Central Counterparty Clearing Houses' (CCPs) under Australian regulations. In November 2016, CME Clearing Europe was registered as a 'Derivatives Clearing Organization' (DCO) under U.S. Commodity Futures Trading Commission (CFTC) regulation.

Until April 2017, the Company's strategy was to offer comprehensive, multi-asset class clearing services for OTC and exchange-traded derivative contracts traded on CME's London-based derivatives exchange, CME Europe Limited ('CME Europe'). On 12 April 2017, CME announced its intention to close CME Europe and the Company, by year-end 2017, as growth in business had been limited and customers had shown that they ultimately preferred to access CME's global products, deep liquidity and greater capital efficiencies through CME's U.S. infrastructure. During the following months, the Company worked closely with CME Europe and all market participants and regulators to ensure a smooth transition and an orderly wind down of business operations.

During May 2017, 90 days written notice of a Planned Termination Event ('PTE') was provided to market participants announcing the date of close of business of the clearing activities of the Company. On 30 August 2017, the Company had no open interest in any contracts remaining and no further contracts could be submitted by market participants for clearing by the Company.

During September 2017, all clearing memberships were terminated and the Company returned all Clearing Member guarantee fund contributions.

On 7 August 2017, the CFTC granted the vacation of the Company's registration as a DCO. On 12 October 2017, the Company received confirmation from the Bank of England that its recognition and authorisation as a Recognised Clearing House under FSMA and as a central counterparty under EMIR had been revoked with immediate effect. As a result, the Risk Committee, Audit Committee and Remuneration Committee of the Company were dissolved.

During September 2017, commercial agreement with FEX Global Pty Limited for the development and provision of clearing services was novated to CME.

On 21 November 2017, the Company reduced its share capital from £140,687,898 to £1 by cancelling and extinguishing 140,687,897 of the issued and fully paid up ordinary shares of £1 each in the Company beneficially owned by CME Finance Holdings Limited. In connection with the capital reduction an amount of £140,687,897 was credited to the Company's reserves, offsetting accumulated losses and enabling the directors to declare an interim dividend of £68,827,427 on 7 December 2017, which was subsequently paid on 11 December 2017.

## Strategic report (continued)

During the year, the Company continued to receive service fees from CME Marketing Europe Ltd, a fellow subsidiary undertaking, in return for providing branding and marketing services that develop and enhance the position of CME as a global brand within the EMEA region. On 31 December 2017, all remaining employees of the Company who were providing the aforementioned services were transferred to CME Operations Ltd, a fellow subsidiary undertaking, under the Transfer of Undertakings ('TUPE') regulations, and the Company ceased commercial operations.

### Future developments

Once all remaining liabilities for the Company have been settled, the directors intend that the Company will be placed in Members' Voluntary Liquidation ('MVL').

### Key performance indicators

Before the orderly wind-down of commercial operations of the Company, the following financial metrics were reviewed:

	2017 £'000	2016 £'000
Turnover	12,051	9,115
Loss after taxation	(850)	(426)
Shareholders' funds	4,327	73,869

Turnover increased by £2,935,497 primarily due to the agreement in place with CME Marketing Europe Ltd, as the Company continued to provide those marketing and branding services while its other commercial operations were wound down.

Loss after taxation increased by £424,041, primarily due to one off costs incurred associated with the wind-down of the business operations of the Company, which are not covered by marketing services agreement.

Shareholders' funds decreased by £69,542,141, resulting from the loss in the year and the interim dividend paid.

### Principal risks and uncertainties

Details of risk management objectives, policies and exposure to risk are set out in Note 2 of these Financial Statements.

## Strategic report (continued)

### Going concern

The directors intend that the Company will be placed in MVL within the next 12 months. CME Group Inc., the Company's ultimate parent, has agreed to support the Company throughout this period to ensure that all creditors are paid. In these circumstances, it is not appropriate to prepare the financial statements on a going concern basis. As the Company has ceased its commercial operations and plans to realise its assets in an orderly fashion, the directors have determined that other than providing for future costs to be incurred in ceasing the Company's operations, the accounting policies applied to individual items should be consistent with those adopted in the prior year. Given the nature of the Company's operations there are no non-current assets and all of the current assets are realisable at their originally recognised amounts such that no impairments or write downs were required. However, adjustments have been made to provide for an estimate of any further liabilities expected to arise until the Company is placed in MVL. These estimates are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances and are continually re-evaluated.

On behalf of the Board



T Hasenpusch  
Director

30 April 2018

## Directors' report

The directors present their report for the period ended 31 December 2017

### Directors

The following directors have held office during the year:

T Hasenpusch	
W Knottenbelt	
W Betsill	(resigned 12 October 2017)
O Naegeli	(resigned 12 October 2017)
J Oliff	(resigned 6 April 2017)
H Sachs-Simpson	(resigned 12 October 2017)
S Stormer	(resigned 12 October 2017)
K Taylor	(resigned 12 October 2017)
S Fan	(resigned 12 October 2017)

None of the directors had any beneficial interest in the share capital of the Company or any other CME UK Group company at any time during the year.

### Directors' liabilities

The Company has indemnified one or more directors of the Company in the event of liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

### Financial instruments

Details of financial risk management objectives, policies and exposure to risk are set out in Note 2 of these Financial Statements.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

The auditor in office will be deemed to have been re-appointed pursuant to section 487(2) of the Companies Act 2006 unless the members or directors resolve otherwise.

On behalf of the Board



T Hasenpusch  
Director

30 April 2018

## **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 'Reduced Disclosure Framework' ('FRS 101') and applicable law. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; for the reasons stated in the Strategic Report and note 1.2, the financial statements have not been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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## **Independent auditors' report**

**To the Members of CME Clearing Europe Limited**

### **Opinion**

We have audited the financial statements of CME Clearing Europe Limited for the year ended 31 December 2017 which comprise Profit and loss account, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)". These financial statements have been prepared on a basis other going concern as disclosed in Note 1.2.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



## **Independent auditors' report**

**To the Members of CME Clearing Europe Limited**

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Independent auditors' report**

**To the Members of CME Clearing Europe Limited**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

*Ernst & Young LLP*

Michael Christie (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Belfast

*11 May 2018*

## Profit and loss account

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	4	12,051	9,115
Gross profit		12,051	9,115
Administrative expenses	5	(12,538)	(8,680)
Provision for future costs	6	(177)	-
Operating profit/(loss)		(664)	435
Interest receivable and similar income	9	476	372
Interest payable and similar charges	10	(662)	(1,233)
Loss on ordinary activities before taxation		(850)	(426)
Tax on loss on ordinary activities	11	-	-
Loss for the financial year		(850)	(426)

The results are derived from discontinued operations.

There are no items of other comprehensive income and accordingly a statement of other comprehensive income has not been presented.

The notes on pages 13 to 35 form an integral part of these financial statements.

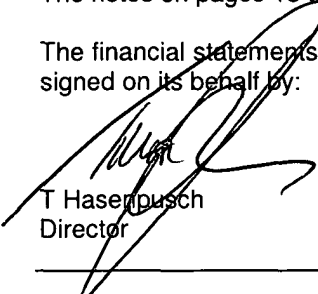
## Balance Sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Current assets</b>			
Cash at bank and in hand		7,865	1,499
Member balances	12	-	127,328
Member balances - Guarantee Fund	12	-	95,661
Company balance - Guarantee Fund	12	-	73,345
Short term investments	13	1,482	26,000
Debtors	14	15	5,168
		<u>9,362</u>	<u>329,001</u>
<b>Current liabilities</b>			
Creditors	15	(4,858)	(32,143)
Provision for liabilities	6	(177)	-
Member balances	12	-	(127,328)
Member balances - Guarantee Fund	12	-	(95,661)
		<u>(5,035)</u>	<u>(255,132)</u>
<b>Net current assets</b>		<u>4,327</u>	<u>73,869</u>
<b>Net assets</b>		<u>4,327</u>	<u>73,869</u>
<b>Capital and reserves</b>			
Called up equity share capital	16	-	140,688
Share based payments reserve	17	2,709	2,574
Accumulated Earnings/(losses)	17	1,618	(69,393)
<b>Shareholders' funds</b>	17	<u>4,327</u>	<u>73,869</u>

The notes on pages 13 to 35 form part of these financial statements.

The financial statements were approved and authorised by the Board of Directors on 30 April 2018 and were signed on its behalf by:

  
T Hasenpusch  
Director

## Statement of changes in Equity

For the year ended 31 December 2017

	Called up equity share capital	Share based payments reserve	Accumulated earnings/ (losses)	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 Jan 2016	140,688	2,386	(68,967)	74,107
Issue of Share Capital	-	-	-	-
Share-based payment	-	188	-	188
Loss for the year	-	-	(426)	(426)
<b>At 31 Dec 2016</b>	<b>140,688</b>	<b>2,574</b>	<b>(69,393)</b>	<b>73,869</b>
At 1 Jan 2017	140,688	2,574	(69,393)	73,869
Capital reduction	(140,688)	-	140,688	-
Dividends paid	-	-	(68,827)	(68,827)
Share-based payment	-	135	-	135
Loss for the year	-	-	(850)	(850)
<b>At 31 Dec 2017</b>	<b>-</b>	<b>2,709</b>	<b>1,618</b>	<b>4,327</b>

## Notes to the financial statements

For the year ended 31 December 2017

### 1. Accounting policies

The principal accounting policies adopted by the Company are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 1.1 Basis of preparation

The financial statements were prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* ("FRS 100"), Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and in accordance with Companies Act 2006.

The financial statements are prepared on a historical cost basis. The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

##### *Disclosure exemptions adopted*

In preparing these financial statements the Company has taken advantage of certain disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by CME Group Inc.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because the equivalent disclosures are included in the consolidated financial statements of CME Group Inc.

These financial statements do not contain certain disclosures in respect of:

- Share based payments

The consolidated financial statements are available to the public and may be obtained from the offices of CME Group Inc. or <http://investor.cmegroup.com>

#### 1.2 Going Concern

The directors intend that the Company will be placed in MVL within the next 12 months. CME Group Inc., the Company's ultimate parent, has agreed to support the Company throughout this period to ensure that all external creditors are paid. In these circumstances it is not appropriate to prepare the financial statements on a going concern basis. As the Company has ceased its operations and plans to realise its assets in an orderly fashion, the directors have determined that other than providing for future costs to be incurred in ceasing the Company's operations (see note 6), the accounting policies applied to individual items should be consistent with those adopted in the prior year. Given the nature of the Company's operations there are no non-current assets and all current assets are realisable at their originally recognised amounts such that no impairments or write downs were required. However, adjustments have been made to provide for an estimate of any further liabilities expected to arise until the Company is placed in MVL. These estimates are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances and are continually re-evaluated.

## **Notes to the financial statements**

**For the year ended 31 December 2017**

### **1.3 Judgements and key sources of estimation uncertainty**

The preparation of the Company's financial information under FRS 101 requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the financial statements:

#### **Revenue recognition**

Judgement is exercised by management in estimating the outcome of fee incentive arrangements with a number of IRS Clearing members and hence the amount of related clearing fee revenues that can be recognised. The 2017 amounts reflect revenue deferred from 2016. Further details are disclosed in note 4.

Judgement is also required in estimating the likelihood of amounts that will be received for trade debtors that become overdue. Factors that are taken into account when considering whether a provision for doubtful debt is required include time elapsed since debt became overdue and historic payment practices of individual customers. Details of the amounts provided and the ageing of trade debtors is given in note 2.

#### **Provisions**

As noted above the Company's financial statements are prepared on a basis other than as a going concern, including recognising provision for those costs estimated to be incurred since 31 December 2017 until the Company has been placed in MVL as indicated in note 6. The estimated costs are based upon management's assessment of the timing and costs of actions to be undertaken in order to place the Company in MVL. The key uncertainty in estimating these costs relates to the timescale in which all liabilities, including those with HMRC, will be settled.

## **Notes to the financial statements**

**For the year ended 31 December 2017**

### **1.4 Significant accounting policies**

#### **Foreign currency translation**

The Company's financial statements are presented in Sterling, which is also the Company's functional currency. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance Sheet date. All differences are taken to the profit and loss account.

#### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, after discounts and rebates and excluding the value added tax and other sales taxes or duty.

Revenue from clearing and transaction fees include per-contract charges for trade execution, clearing, trading on the Company's electronic trading platform and other fees. Fees are charged at various rates based on the product traded, the method of trade, the exchange trading privileges of the customer making the trade and the type of contract. Clearing and transaction fees are recognized as revenue when a buy and sell order are matched and the trade is cleared.

Revenue from the marketing services agreement with CME Marketing Europe Ltd, a fellow subsidiary undertaking, are recognised as those services are provided.

Development services revenue from fixed price contractual arrangements including the design and build of clearing service solutions, is recognised based on the percentage of completion method. The stage of completion is estimated using an appropriate measure according to the nature of the contract such as the proportion of costs incurred relative to the estimated total contract costs, or other measures of completion such as the achievement of contract milestones and customer acceptance. Costs related to delivering services under such contractual arrangements are expensed as incurred. Assignment fees revenue in relation to novation of contractual arrangement is recognised in the period the contract is signed.

#### **Interest recognition**

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount. Interest, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss.



## Notes to the financial statements

For the year ended 31 December 2017

### 1.4 Significant accounting policies (continued)

#### Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date. Deferred income tax assets and liabilities are offset, only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss account.

#### Financial assets

The Company's financial assets include cash at bank, member balances and guarantee funds, short term investments, trade and other debtors and amounted owed by group undertakings, which are classified as loans and receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. Impairment provisions are recognised through the profit and loss.

#### Financial liabilities

The Company's financial liabilities comprise of member balances and guarantee funds, amounts due to group undertakings (including loans and interest payable thereon) and accruals and other creditors.

The Company's financial liabilities are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

## **Notes to the financial statements**

For the year ended 31 December 2017

### **1.4 Significant accounting policies (continued)**

#### **Share based compensation**

Through the ultimate parent undertaking, CME Group Inc., the Company engages in equity awards to employees of the Company.

The fair value of the services received in respect of these share-based payments is determined by reference to the fair value of the share awards on the date of grant to the employee. The cost of the share-based payment is recognised in the profit and loss account on an accelerated basis over the vesting period of the grant, based on an estimate of the amount of instruments that will eventually vest. The charge in the profit and loss account is off-set by an equal credit to share based payment reserve.

The fair value measurement of non-qualified stock options is based on the Black-Scholes Pricing Model, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and share price. The fair value measurement of restricted shares and performance stock awards is based on the closing stock price on the date of grant.

#### **Pensions and other post-employment benefits**

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the profit and loss account in the period to which they relate.

#### **Reverse repurchase arrangements and transactions**

Securities that are purchased under a commitment to resell the securities at a future date are recognised on the balance sheet as an asset under reverse repurchase transactions at the carrying value of the consideration paid. The difference between the sale and repurchase price is treated as interest income.

## **Notes to the financial statements**

**For the year ended 31 December 2017**

### **2. Financial risk management**

#### **General Objectives, policies and processes**

Until August 2017, the Company's core business was clearing services. As a clearing house, the Company's operation centred on the explicit assumption of the risks of financial failure and default in the markets it cleared and in which it acted as central counterparty. In order to ensure that defaults of clearing members were effectively managed, and the integrity of the markets preserved, the Company had adopted specific risk management policies and practices to limit the counterparty risk represented by clearing members and to cover the market risk, relating to price movements in cleared products, that it would have to manage should any of the clearing members default.

The principal practices were: the collection of initial margin, in the form of cash and non-cash collateral, to cover the market risk of cleared contracts; the collection of marked-to-market losses and the payment of corresponding gains (variation margin) to narrow the window of market risk on a daily basis; the collection of delivery margin and the oversight of final delivery in the case of physically delivered contracts; and the establishment of a Guarantee Fund to cover market risk that may not be met by initial margin, supplemented by legal powers to take additional steps in the case of need. Management of the initial margin collected from clearing members and of the Guarantee Fund in turn exposed the Company to counterparty and market (interest rate and foreign currency) risks, as well as to liquidity risks. The Company has returned all Clearing Member guarantee fund contributions during September 2017.

The counterparty and market risk management policies relating to clearing member default risk, and those relating to the management of cash and non-cash collateral were reviewed and recommended by the Risk Committee of the Company and confirmed by the Board of Directors. The effective implementation of other policies and procedures was subject to the oversight by the internal auditors of the Company and the Audit Committee. The Board has ultimate responsibility for the management of risk by the Company.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated within Notes 2 and 3 to the financial statements.

## Notes to the financial statements

For the year ended 31 December 2017

### 2. Financial risk management (continued)

#### Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company was mainly exposed to credit risk in respect of counterparty default and concentration of cash with certain financial institutions.

##### *Counterparty default*

The Company had no market risk exposure relative to the contracts registered with it by clearing members unless one of them defaulted, because the long and short positions of the membership were in balance and the Company had a flat book. Notwithstanding that fact, the Company employed a range of inter-related risk policies and procedures that cover the potential market risk inherent in the registered positions of each member.

The Company required its counterparties to contribute initial and variation margin as part of its credit risk management policy. In addition, the Company maintained a Guarantee Fund which would be used in the event of counterparty default.

Initial margin calculations were performed to provide a buffer to cover the credit risk of each clearing member's positions and, as a condition of membership, members had to fully cover their initial margin requirements at all times by transferring cash or acceptable non-cash collateral, or both, to the Company. At the same time, open positions were settled to the latest market prices each day, with losses collected in cash by the Company and gains paid out, as a means of continuously narrowing the potential credit risk. Additional margin cover (variation margin), in accordance with an agreed policy, was collected intra-day if movements in market prices exceed trigger thresholds, bringing into question the adequacy of the existing price parameters used in establishing initial margin requirements.

To ensure that it had the ability to withstand a clearing member default in market conditions that were even more extreme than those assumed in the initial margin calculations, the Company maintained a Guarantee Fund. The Company had the authority to require clearing members to make contributions as necessary, in accordance with its rules. The size of the Guarantee Fund was determined by a range of stress tests using historical and hypothetical price scenarios in conjunction with members' actual positions. These tests were run on a daily basis. The adequacy of the Guarantee Fund was formally re-assessed each quarter on the basis of stress test results by the Risk Committee, which was responsible for advising the Board on whether changes should be made to the level of the fund.

In addition, the Company was exposed to counterparty default risk in respect of outstanding fees and commissions. It was Company policy, implemented locally, to assess the credit risk of new customers before entering into contracts. Credit ratings were taken into account by local business practices.

## Notes to the financial statements

For the year ended 31 December 2017

### 2. Financial risk management (continued)

Disclosures regarding trade debtors and other debtors, that are neither past due nor impaired, are provided below:

#### *Trade debtors and other debtors*

As at 31 December 2017 trade debtors of £nil (2016: £600,000) were past due but not impaired. The ageing analysis of trade debtors is as follows:

	2017	2016
	£'000	£'000
Current	-	4,397
1 to 3 months	-	-
3 to 6 months	-	-
Over 6 months	-	600
	<u>-</u>	<u>4,997</u>

The table above includes an intercompany debtor of £nil (2016: £777,176).

As at 31 December 2017 trade debtors of £1,800,000 (2016: £nil) were past due and impaired. Movements on the provision for impairment of trade debtors are as follows:

	2017	2016
	£'000	£'000
At 1 January	-	-
Provision for debtor impairment	1,800	-
Debts written off	-	-
At 31 December	<u>-</u>	<u>-</u>
	<u>1,800</u>	<u>-</u>

Other classes of financial assets included within trade debtors and other debtors do not contain past due or impaired assets.

## Notes to the financial statements

For the year ended 31 December 2017

### 2. Financial risk management (continued)

#### *Concentration of cash with certain financial institutions*

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

A significant amount of cash at bank and short-term deposits is held with institutions with the following credit ratings. Ratings used for both 2017 and 2016 are Fitch.

	2017 Rating	2017 £'000	2016 Rating	2016 £'000
<b>Cash at bank</b>				
	AA+	-	AA+	8
	AA	-	AA	-
	A+	-	A+	2
	A	7,865	A	1,489
	<b>Total</b>	<b>7,865</b>	<b>Total</b>	<b>1,499</b>

Member balances used for margin were cash settled at least daily and these funds, together with the guarantee funds and short-term investments, were invested in overnight reverse repurchase transactions of highly liquid sovereign government securities. Investment limits were established and routinely monitored, in line with EMIR and CPMI requirements, to ensure that concentration risk is mitigated at the collateral and position level.

The table below shows the Company's member balances, guarantee funds and short-term investments by reference to the credit rating (Fitch) of the reverse repurchase transaction counterparty. The Company has returned all Clearing Member guarantee fund contributions during September 2017. All reverse repurchase transactions are of highly liquid sovereign government securities, collateralised using a select group of Countries with sovereign debt ratings (Fitch) that are at least AA.

	2017 Rating	2017 £'000	2016 Rating	2016 £'000
<b>Member Balances</b>				
	AAA	-	AAA	3,526
	A+	-	A+	37
	A	-	A	48,313
	A-	-	A-	63,735
	BBB+	-	BBB+	11,717
	<b>Total</b>	<b>-</b>	<b>Total</b>	<b>127,328</b>
<b>Guarantee Fund (CME &amp; Member)</b>				
	AAA	-	AAA	15,270
	AA+	-	AA+	12,809
	A	-	A	40,845
	A-	-	A-	12,809
	BBB+	-	BBB+	87,273
	<b>Total</b>	<b>-</b>	<b>Total</b>	<b>169,006</b>
<b>Short Term Investments</b>				
	AA-	1,482	AA-	-
	A+	-	A+	26,000
	<b>Total</b>	<b>1,482</b>	<b>Total</b>	<b>26,000</b>

## Notes to the financial statements

For the year ended 31 December 2017

### 2. Financial risk management (continued)

#### Interest rate risk

As at the 31 December 2016 the Company had an intercompany loan of \$30,000,000 with CME Finance Holdings Limited bearing a fixed interest rate of 1.3% per annum, which was due for repayment on 3 November 2017. On 17 October 2017, the Company fully repaid the loan and terminated the loan agreement.

#### Foreign currency risk

The Company is exposed to foreign currency risk on a transactional basis, where receipts and payments occur in currencies other than sterling, and on a translation basis, where assets and liabilities are denominated in currencies other than Sterling.

The following table demonstrates the sensitivity to a reasonably possible change in Sterling against the exchange rates of foreign currencies with all other variables held constant. The analysis shows the impact on profit and loss of a strengthening (-%) or weakening (+%) of the currency against Sterling:

	Sensitivity	2017	Sensitivity	2016
	%	£'000	%	£'000
United States Dollar	11%	(208)	8%	(1,178)
	-5%	113	-7%	1,109
Euro	7%	(17)	5%	(5)
	-5%	15	-8%	8

#### Liquidity risk

Liquidity risk is the risk that the Company is unable to fully or promptly meet payment obligations and potential payment obligations as and when they fall due.

One of the Company's primary investment policy objectives is to provide sufficient liquidity to meet all operational requirements. Financial assets used for operational requirements are either held as Cash at bank or as short-term investments, which are largely invested in overnight reverse repurchase transactions of highly liquid sovereign government securities.

## Notes to the financial statements

For the year ended 31 December 2017

### 2. Financial risk management (continued)

The Board monitors the ability of the Company to meet its short term contractual obligations as they fall due on a monthly basis. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2017	Within 3 months £'000	Within 3 to 6 months £'000	Within 6 to 12 months £'000	Total £'000
Accruals and other creditors	490	16	-	506
Amounts due to group undertaking	4,321	-	-	4,321
Intercompany loan and interest payable	-	-	-	-
<b>Total</b>	<b>4,811</b>	<b>16</b>	<b>-</b>	<b>4,827</b>

At 31 December 2016	Within 3 months £'000	Within 3 to 6 months £'000	Within 6 to 12 months £'000	Total £'000
Accruals and other creditors	1,103	-	-	1,103
Amounts due to group undertaking	665	-	-	665
Intercompany loan and interest payable	206	206	24,866	25,278
<b>Total</b>	<b>1,974</b>	<b>206</b>	<b>24,866</b>	<b>27,046</b>

The above table excludes deferred income of £nil (2016: £5,775,000) and tax liability of £30,725 (2016: £93,331) as these are not financial liabilities.

Other than the risks outlined above, the Company is also exposed to the following operational risks:

#### Operational risk

Operational risk is the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental, or natural occurrences. Internal processes include human resource systems, risk management and internal controls (including fraud prevention). Internal processes are subject to risks associated with human error, breaches of safety and failure of error prevention and detection systems. Operational risks also include possible failures of information technology systems. Operational risk is managed through the implementation of systems controls and policies, in which employees receive regular training, and the establishment of a business continuity plan, which is reviewed and tested on a regular basis under various scenarios.



## Notes to the financial statements

For the year ended 31 December 2017

### 2. Financial risk management (continued)

#### *Reputation risk*

Reputation risk is the risk of damage to the Company arising from any association, action or inaction, perceived by stakeholders (e.g. customers, clients, colleagues, shareholders, regulators) to be inappropriate or unethical. The governance around the management of reputation risk is designed to promote a consistent approach and a risk-aware culture across the Company and CME Group. Every member of staff must take responsibility for managing reputation risk associated with their decisions and actions.

#### **Capital management policies and objectives**

The Company capital management objective is to maintain a strong capital base to satisfy all likely operational liabilities, and is monitored on an ongoing basis.

The Company classifies Shareholder's Funds as Capital. Whilst recognised as a CCP regulated by the Bank of England and as a DCO regulated by the U.S. Commodities Futures Trading Commission the Company was required to hold a minimum level of capital. For this purpose, the Company excluded any shareholder's funds that were attributable to the Guarantee Fund. Compliance with this requirement was reviewed on an ongoing basis and was managed and monitored by the Board monthly until the regulatory registrations were revoked.

The Company has been fully compliant with its respective capital adequacy requirements throughout 2017.

### 3. Fair values

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

During the years ended 31 December 2016 and 31 December 2017, all disclosed financial instruments fair values were valued using Level 2 techniques, and there were no transfers into or out of Level 2 fair value measurements.

At 31 December 2017, the carrying value of all of the Company's financial assets and liabilities approximated their fair value. For the intercompany loan that was repaid during 2017, the fair value at 31 December 2016 was estimated to be £24,214,677 based upon discounting the contracted cash flows at prevailing market rates at balance sheet date. The carrying value at 31 December 2016 was £24,507,000.

## Notes to the financial statements

For the year ended 31 December 2017

### 4. Turnover

Turnover arises from:

	2017	2016
	£'000	£'000
Fee commission and income	3,625	119
Development services and related income	375	375
Marketing services income from fellow group companies	7,433	8,621
Assignment fees from fellow group companies	618	-
	<u>12,051</u>	<u>9,115</u>

Turnover by geographical area

	2017	2016
	£'000	£'000
United Kingdom	11,058	8,740
United States	618	-
Australia	375	375
	<u>12,051</u>	<u>9,115</u>

Turnover by geographical area is based on destination. All turnover is generated within the UK.

### Deferred income

	2017	2016
	£'000	£'000
At 1 January	5,775	-
Deferred during the year	-	6,150
Released to the profit and loss account	(5,775)	(375)
	<u>-</u>	<u>5,775</u>
At 31 December (see note 15)	-	5,775

The deferred income in 2016 refers to the deferral of fees relating to an arrangement in place with a number of IRS Clearing Members (£5,400,000), and also the deferral and release of development fees in respect of the agreement to provide clearing services. All the deferred income has been released to the profit and loss account during 2017.

## Notes to the financial statements

For the year ended 31 December 2017

### 5. Expenses by nature

	2017 £'000	2016 £'000
Staff costs	2,932	3,482
Intercompany management fee	4,881	3,834
Rental costs recharged from group undertakings	592	449
Professional costs	820	2,436
Foreign exchange loss / (gain)	2,554	(2,813)
Other costs	759	1,292
Total administrative expenses	<u>12,538</u>	<u>8,680</u>

### 6. Provisions

	2017 £'000	2016 £'000
At 1 January	-	-
Arising during the year	<u>177</u>	<u>-</u>
At 31 December	<u>177</u>	<u>-</u>

The provision of £176,868 represents administrative costs expected to be incurred by the Company post 31 December 2017 until the Company is placed in MVL, which is expected to be in July 2018.

### 7. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2017 £'000	2016 £'000
Audit of the financial statements	52	50
Audit related assurance services	-	6
Taxation compliance services	-	12
	<u>52</u>	<u>68</u>

## Notes to the financial statements

For the year ended 31 December 2017

### 8. Staff costs and directors' remuneration

#### (a) Staff costs

	2017 £'000	2016 £'000
Wages and salaries	2,198	2,607
Social security costs	314	372
Pensions and other benefits	420	503
	<u>2,932</u>	<u>3,482</u>

Included in pensions and other benefits is a total expense of share-based payments of £134,895 (2016: £187,972) and £224,465 (2016: £280,384) in respect of the defined contribution scheme.

The average monthly number of employees (excluding independent directors) during the year was as follows:

	2017	2016
Employees	19	25
Executive Directors	1	1
	<u>20</u>	<u>26</u>

#### (b) Directors' remuneration

	2017 £'000	2016 £'000
Emoluments for qualifying services	397	584
Pension contributions	17	29
	<u>414</u>	<u>613</u>

The amount received by the highest paid director was £191,385 (2016: £343,403), which included £17,346 (2016: £28,741) paid in pension contributions. Certain directors are remunerated by the ultimate parent undertaking or fellow subsidiary undertakings. The amount of that remuneration which relates to services to the Company is considered negligible.

Certain directors participate in the CME Group Inc. equity plan. During the year no restricted stock awards (2016: 1,436) or performance stock awards (2016: 478) were granted. The highest paid director was not granted restricted stock awards (2016: 1,436) or performance stock awards (2016: 478) during the year.

## Notes to the financial statements

For the year ended 31 December 2017

### 9. Interest receivable

	2017 £'000	2016 £'000
Interest earned on Guarantee Fund	441	297
Interest from cash and short term investments	35	75
	<u>476</u>	<u>372</u>

The Company earns interest on its cash at bank and on its short term investments, and earned interest from members for balances deposited in the Guarantee Fund.

### 10. Interest payable and similar charges

	2017 £'000	2016 £'000
Interest on intercompany loan	654	1,142
Interest paid to Members	-	32
Other interest	8	59
	<u>662</u>	<u>1,233</u>

The Company paid interest on its intercompany loan and also paid interest to members for balances deposited in the Guarantee Fund.

## Notes to the financial statements

For the year ended 31 December 2017

### 11. Tax expense

	2017 £'000	2016 £'000
(a) Tax charged in the income statement		
UK corporation tax	-	-
Total current income tax	-	-
<b>Tax expense in the income statement</b>	<b>-</b>	<b>-</b>

### (b) Reconciliation of total tax expense

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017 £'000	2016 £'000
Loss before income taxes	(850)	(426)
Tax calculated at UK corporation tax rate of 19.25% (2016: 20%)	(163)	(85)
Expenses not deductible for tax purposes	2	7
Deferred tax not recognised on temporary differences	13	(7)
Tax losses surrendered for nil consideration	148	85
<b>Total tax expense reported in the income statement</b>	<b>-</b>	<b>-</b>

### (c) Change in corporation tax rate

The Finance Act (No. 2) 2015, substantively enacted on 26 October 2015 and enacted on 18 November 2015, included a decrease in corporation tax rates to 19% from 1 April 2017. Additionally, the Finance Act 2016, enacted on 15 September 2016, included a decrease in corporation tax rates to 17% from 1 April 2020.

## Notes to the financial statements

For the year ended 31 December 2017

### 11. Tax expense (continued)

#### (d) Unrecognised deferred tax

	2017	2016
	£'000	£'000
Deferred tax asset:		
Losses brought forward	2,337	2,337
Share based payments	14	130
Other temporary differences	4	12
	<u>2,355</u>	<u>2,479</u>

The Company's temporary differences in respect of losses, share based payments, fixed assets, and other temporary differences are unrecognised for deferred tax purposes as the assets would not be recoverable in future periods since directors intend that the Company will be placed in MVL.

## Notes to the financial statements

For the year ended 31 December 2017

### 12. Member Balances and Guarantee Fund

	2017 £'000	2016 £'000
<b>Assets</b>		
Member balances	-	127,328
Member balances – Guarantee Fund	-	95,661
Company balance – Guarantee Fund	-	73,345
<b>Liabilities</b>		
Member balances	-	(127,328)
Member balances – Guarantee Fund	-	(95,661)

Members were required to place initial margin funds to cover their outstanding positions. The margin can take the form of either cash or non-cash collateral or a combination of the two. The margin requirement was assessed at least twice daily but may only settle once daily. The Company returned interest earned on the cash collateral received from the investment manager, net of any investment management fees, to the clearing members. The Company has returned all Clearing Member guarantee fund contributions during September 2017.

The guarantee funds were maintained in order to deal with an event of clearing member default in which margin funds held in respect of the firm in question were insufficient to cover the management and close out of the firm's positions registered at the Company. Both the members and the Company contributed to this Guarantee Fund, details of this split are provided above.

The guarantee funds were invested in overnight reverse repurchase transactions of highly liquid sovereign government securities, using a selected group of Countries with sovereign debt ratings that are at least AA as measured by Fitch. In the event of a counter-party default, the guarantee funds would have been distributed in accordance with the terms set out in the Members Agreement.



## Notes to the financial statements

For the year ended 31 December 2017

### 13. Short term investments

	2017 £'000	2016 £'000
Securities held under resale agreements	1,482	26,000
	<u>1,482</u>	<u>26,000</u>

Securities held under resale agreements are the result of investing operating cash in overnight reverse repurchase transactions of highly liquid sovereign government securities.

### 14. Debtors

	2017 £'000	2016 £'000
Debtors due less than year		
Trade debtors	-	4,206
Amounts owed by group undertakings	12	791
Other debtors	3	171
	<u>15</u>	<u>5,168</u>

### 15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts due to group undertaking	4,321	665
Accruals	413	947
Intercompany loan payable	-	24,507
Other creditors	93	156
Taxation and social security	31	93
Deferred income (note 4)	-	5,775
	<u>4,858</u>	<u>32,143</u>

## Notes to the financial statements

For the year ended 31 December 2017

### 16. Share capital

	2017 £	2016 £
<i>Allocated, called up and fully paid</i>		
1 ordinary shares of £1 each	1	140,687,898
At 31 December	1	140,687,898

On 21 November 2017, the Company reduced its share capital from £140,687,898 to £1 by cancelling and extinguishing 140,687,897 of the issued and fully paid up ordinary shares of £1 each in the Company beneficially owned by CME Finance Holdings Limited.

### 17. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Nature and Purpose
Called up equity share capital	Nominal value of share capital subscribed for.
Share based payments reserve	Share based payments.
Retained earnings / (accumulated losses)	All other net gains and losses and transactions with owners (e.g. dividends, capital reductions) not recognised elsewhere.

For movement in reserves during the year, refer to 'Statement of Changes in Equity' page 12.

### 18. Dividends paid

	2017 £'000	2016 £'000
<i>Declared and paid during the year</i>		
Interim dividend of £68,827,427 per share on 11 December 2017	68,827	-
	68,827	-

## Notes to the financial statements

For the year ended 31 December 2017

### 19. Share based payments

#### **CME Group Inc. Equity Plan**

Stock-based awards are granted under the CME Group Inc. Equity Plan. There are four types of awards namely share options, restricted stock awards, performance stock awards and employee stock purchase plan.

Share options have not been awarded since 2012 and typically become exercisable over a period of 4 years and expire 10 years from the date of grant. Restricted stock awards and performance stock awards typically vest over a period of 2, 3 or 4 years from the grant date, with most awards vesting over a period of 4 years. The exercise of share options and the vesting of restricted stock awards is contingent upon continued employment with CME Group, whereas the vesting of performance stock awards are also contingent on meeting stated performance or market conditions.

#### **Share options**

The total number of share options that were exercised during 2017 was 340 (2016: nil) at a weighted average price of \$63.05. The weighted average share price at the date of exercise for options exercised during 2017 was \$130.30. There are no share options outstanding at the end of the year (2016: 6,260) as all remaining options have either been transferred to other CME Group Companies (due to internal employee moves), have expired or have been forfeited. The share options outstanding at the end of 2016 had a weighted average remaining contractual life of 4.42 years. The range of exercise prices for those share options was \$54.30 - \$83.88.

#### **Restricted stock awards**

The total number of restricted stock awards that vested during 2017 was 829 (2016: 3,064) at a weighted average price of \$101.07 (2016: \$77.66). The total number of restricted stock awards outstanding at the end of the year was 2,167 (2016: 8,105) with a weighted average contractual life of 1.92 years (2016: 1.80 years).

#### **Performance stock awards**

The total number of performance stock awards that vested during 2017 was 1,364 (2016: nil) at a weighted average price of \$78.96. There were no performance stock awards outstanding at the end of the year (2016: 2,334). The weighted average contractual life of awards outstanding at the end of 2016 was 1.60 years.

#### **Employee stock purchase plan**

CME Group has adopted an Employee Stock Purchase Plan (ESPP) under which eligible employees may acquire shares of Class A common stock using payroll deductions made during consecutive offering periods of approximately six months in duration. Shares are purchased at the end of each offering period at a price of 90% of the closing price of the Class A common stock as reported on the NASDAQ Global Select Market. Compensation expense is recognized on the dates of purchase for the discount from the closing price.

In 2017, 79 shares of Class A common stock were issued to participating employees (2016: 80 shares). These shares are subject to a six-month holding period. Total compensation expense recognised under the employee share purchase plan was \$1,079 for the year ended 31 December 2017 (2016: \$844).

## **Notes to the financial statements**

**For the year ended 31 December 2017**

### **20. Ultimate group undertaking**

The Company's immediate parent undertaking is CME Finance Holdings Limited, which is a subsidiary of CME Group Inc.

CME Group Inc. is the Company's ultimate parent undertaking and controlling party, whose principal address of business is 20 South Wacker Drive, Chicago, Illinois 60606, USA. It is a company incorporated in the United States of America and listed on NASDAQ.

CME Group Inc. is the smallest and largest group at which the results of the Company are consolidated. The group financial statements of CME Group Inc. are available to the public and may be obtained from the offices of CME Group Inc. or <http://investor.cmegroup.com>.