CME Group

11/7/2011

Institutional Shareholder Services
policy@issgovernance.com

Subject: Open Comment Period: Evaluation of Executive Pay (Management Say-on-Pay) (U.S. and Canada)

To Whom It May Concern:

I appreciate the opportunity to respond to Institutional Shareholder Services Inc.'s 2012 Draft Policies on behalf of CME Group Inc., the world's leading and most diverse derivatives marketplace. As a compensation professional responsible for supporting the Compensation Committee, I am very interested in the quality of executive compensation analysis provided to shareholders.

While we recognize the role that ISS plays in assisting our institutional shareholders in fulfilling their fiduciary duties in voting, we do question ISS' ability to effectively apply its analysis across a broad array of compensation programs. There is not one surefire way to analyze executive compensation. The most effective compensation programs are tailored to the unique business strategies and goals of the company. Through a balance of short-and long-term incentives, companies seek to motivate and reward for both short- and long-term performance. One must look at executive compensation programs through several lenses before judging their effectiveness. And, one must consider unique company circumstances and their impact on pay decisions. It is within this context that we are providing comments to the proposed policies.

Q1: Do the factors utilized in ISS' proposed pay-for-performance evaluation approach align with those that your organization believes should be considered?

A1: On the surface, it seems that the proposed methodology for evaluating pay and performance alignment will be an improvement over the previous methodology as it provides shareholders with more information. However, we believe that to truly improve the pay-for-performance evaluation, ISS' policies must consider the following:

- The quantitative analysis should include performance against several financial measures in addition to TSR. The current environment is one of economic uncertainty and stock price volatility. As such, TSR may not provide the full picture of a company's performance. Additionally, because companies use compensation programs to accomplish their unique goals, other financial measures important to shareholders are appropriate to review in this context.

- The value of equity compensation included in the analysis should be the realized/realizable value of the equity awards during the time period being examined. The use of compensation as published in the Summary Compensation Table (SCT) is flawed in a pay-for-performance analysis, because equity compensation — generally the largest component of an executive's compensation — is published in the SCT as grant date fair value and does not represent the value of actual compensation value received during the time period in question. In order to truly understand the pay and performance alignment, it is important to look at the value of compensation realized/realizable (not granted) for the performance generated over a specified time period.

- The relative assessment of pay and performance should consider the company's disclosed peer group as an additional input as the GICS reference group is not sufficient. In conducting the relative assessment of pay and performance, it is important to develop an appropriate peer group. A peer group should reflect a company's competitors for business, talent and investor dollars. While the proposed methodology attempts to improve peer group selection for the pay-for-performance evaluation, because there are many factors that companies thoughtfully consider in developing their peer groups, the peer group selected by the company should not be disregarded. Additionally, in the relative assessment, an additional review should be completed to ensure that there are no anomalies in the peer group pay or performance data used in the analysis.

Q2: Does the proposed new approach give adequate consideration to long-term alignment?

A2: As indicated above, to improve the quantitative analysis of long-term pay and performance, we believe it is imperative to 1) review performance against financial measures in addition to TSR, 2) the value of long-term pay must reflect the realized/realizable value of the equity awards rather than grant date fair value, and 3) the relative assessment should include the company's disclosed peer group as an additional input.

Q3. Will the proposed new approach be beneficial to your organization in identifying companies with strong pay-for-performance alignment?

A3. See answers above.

Q4. What additional factors, if any, should ISS consider and display to improve investors' ability to evaluate companies' long-term pay-performance alignment?

A4. See answers above.

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In closing, we commend ISS for reviewing its policies and seeking comments on its approach to evaluating pay and performance alignment. We trust that the comments provided will be taken into consideration. Should you have any questions, please feel free to contact me at the number provided below. Thank you.

Francie Sisul

Francie Sisul
Director, Compensation and Benefits

20 South Wacker Drive Chicago, Illinois 60606 T 312 930 1000 F 312 466 4410 cmegroup.com