

## News Release

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### FOR IMMEDIATE RELEASE

#### **CME Group/MSRI 2007 Prize in Innovative Quantitative Applications Awarded to Dr. David M. Kreps for Innovative Work in Dynamic Choice and Equilibrium**

##### ***Second Annual CME Group Partnership with MSRI that Recognizes Significant Contributions in Mathematics, Statistics and Computing***

**BERKELEY, September 12, 2007** – CME Group and the Mathematical Sciences Research Institute (MSRI) announced today that Dr. David M. Kreps, Senior Associate Dean for Academic Affairs and the Theodore J. Kreps (no relation) Professor of Economics at the Stanford University Graduate School of Business is the 2007 recipient of the CME Group/MSRI Prize in Innovative Quantitative Applications.

CME Group, the world's largest and most diverse exchange, through its Center for Innovation has partnered with MSRI, based in Berkeley, CA, to award the second annual CME Group/MSRI Prize. This award is designed to recognize individuals or groups who contribute original concepts and innovation in the use of mathematical, statistical or computational methods for the study of the behavior of markets, and more broadly of economics.

Professor Kreps will be honored and presented with the CME Group/MSRI Prize medal at a recognition ceremony to be held on Thursday, September 20, at the Chicago Mercantile Exchange. In addition to the medal, a \$25,000 cash award is also bestowed upon the CME Group/MSRI Prize winner.

In conjunction with the award ceremony, a seminar entitled, "What's the Deal with Private Equity," will be held with moderator Milton Harris, Chicago Board of Trade Professor of Finance and Economics at the University of Chicago and panelists Myron Scholes, Nobel Prize Winning Economist and Chairman, Platinum Grove Asset Management; Stephen A. Ross, Franco Modigliani Professor of Financial Economics, MIT Sloan School of Management; and Luigi Zingales, Robert C. McCormack Professor of Entrepreneurship and Finance, University of Chicago Graduate School of Business.

Professor Kreps' prolific and seminal research in microeconomics has probed deeply into dynamic choice, in both single-person and multi-person settings. In 1979, he was part of a team that placed the concept of risk-neutral asset pricing in the framework of "martingale measures," an approach that is now standard for the pricing and risk management of financial products. Professor Kreps has had influential insights across a host of different topics, including: dynamic choice where parties exhibit a preference for flexibility or concern over the timing of resolution of uncertainty; processes of learning both in markets and in games; and models of reputation in repeated games, with applications to corporate culture and human resource management.

In acknowledging the award, Professor Kreps said, “The alliance between the Chicago Mercantile Exchange and the Mathematical Sciences Research Institute symbolizes how ivory-tower theory and on-the-ground practice develop hand-in-hand, each taking its turn leading and inspiring and then being led and inspired by the other. In finance, perhaps more than in any other branch of the economic sciences, practice and theory have had a fruitful partnership. I’m proud to have been able to contribute, and I’m deeply grateful for and honored by this prize.”

Myron Scholes, CME Group/MSRI Prize Selection Committee Member and Chairman of CME Group’s Competitive Markets Advisory Council said, “Dr. Kreps has created a prolific stream of seminal contributions to various areas of microeconomics. His dozens of papers and books on dynamic choice and reputation in game theories, and arbitrage in financial markets have enabled scholars, financial and corporate practitioners and modelers to understand and model complex economic interactions.”

CME Group Chairman Emeritus and CME Group/MSRI Prize Selection Committee Member Leo Melamed said, “Dr. Kreps’ work is an example of how complex mathematical theories have important applications in our day-to-day businesses. His contributions to the pricing and risk management of financial products have become an integral part of how our derivatives markets operate. From the perspective of someone who has passionately followed the markets for years, Dr. Kreps’ work is highly valued.”

David Eisenbud, CME Group/MSRI Prize Selection Committee Chairman and former Director of MSRI said, “The application of mathematics in finance is a wonderful example of how practical problems spur amazing developments of theory, and how the most abstract-seeming theories turn out to have profound and important applications. It is extraordinarily fitting to have CME Group, which is focused on innovation in a very practical field, and MSRI, which is concerned with innovation in a very fundamental sense, collaborate to present this prize.”

The CME Group/MSRI Prize Selection Committee also includes: Leo Melamed; Myron Scholes; Stephen A. Ross, the first recipient of the CME/MSRI Prize (2006); Darrell Duffie, James I. Miller Professor of Finance, Stanford University Graduate School of Business; Hugo Sonnenschein, President Emeritus and Adam Smith Distinguished Service Professor, University of Chicago; and David Eisenbud.

CME Group is a recognized leader in financial services, exemplifying innovation in action by creating products and services that have changed the face of modern finance. Because CME Group recognizes the importance of innovation first-hand, it created the CME Center for Innovation whose mission is to identify, foster and showcase examples of significant innovation and creative thinking pertaining to markets, commerce or trade in the public and private sectors. For more information on the CME Center for Innovation, visit <http://www.cme.com/about/ins/cfi/index.html>.

The Mathematical Sciences Research Institute (MSRI, [www.msri.org](http://www.msri.org)) exists to further mathematical research through broadly based programs in the mathematical sciences and closely related activities. MSRI’s research extends through pure mathematics into computer science, and statistics applications to other disciplines, including engineering, physics, biology, chemistry, medicine, and finance. In addition to its core programs, MSRI offers summer graduate workshops, programs to enhance K-12 math education, and outreach programs on mathematical themes.

**CME Group** ([www.cmegroup.com](http://www.cmegroup.com)) is the world’s largest and most diverse exchange. Formed by the 2007 merger of the Chicago Mercantile Exchange (CME) and the Chicago Board of Trade (CBOT), CME Group serves the risk management needs of customers around the globe. As an international marketplace, CME Group brings buyers and sellers together on the CME Globex electronic trading platform and on its trading floors. CME Group offers the widest

range of benchmark products available across all major asset classes, including futures and options based on interest rates, equity indexes, foreign exchange, agricultural commodities, energy, and alternative investment products such as weather and real estate. CME Group is traded on the New York Stock Exchange and NASDAQ under the symbol "CME."

The **Mathematical Sciences Research Institute** ([www.msri.org](http://www.msri.org)) is one of the world's premiere centers for research in the mathematical sciences, and has been advancing mathematical research through workshops and conferences since its founding as an independent Institute in 1982. More than 1,700 mathematical scientists visit MSRI each year in Berkeley, CA, many for stays for up to one year. The Institute is funded primarily by the National Science Foundation with additional support from other government agencies, private foundations, academic and corporate sponsors, and individual donors.

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