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2008 CME Group-MSRI Prize in Innovative Quantitative Applications Awarded to Lars Peter Hansen for Innovative Approaches to Asset Pricing Models

CME Group Partners with MSRI to Recognize Significant Contributions in Mathematics, Statistics and Computing

BERKELEY, CA, September 30, 2008 – CME Group and the Mathematical Sciences Research Institute (MSRI) announced today that Dr. Lars Peter Hansen, Homer J. Livingston Distinguished Service Professor in the Departments of Economics and Statistics at the University of Chicago, is the 2008 recipient of the CME Group-MSRI Prize in Innovative Quantitative Applications.

CME Group, the world's largest and most diverse financial exchange, through its Center for Innovation has partnered with MSRI, based in Berkeley, CA, to award the third 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 Hansen will be honored and presented with the CME Group-MSRI Prize medal at a recognition ceremony to be held on Friday, October 24, at CME Group World Headquarters. 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, "The Fed, the Treasury 'blueprint,' and the future of financial institutions," will be held with moderator Darrell Duffie, James I. Miller Professor of Finance, Graduate School of Business, Stanford University, and panelists Raghuram Rajan, Eric J. Gleacher Distinguished Service Professor of Finance, University of Chicago Graduate School of Business; Anthony Santomero, former President of the Federal Reserve Bank of Philadelphia and currently Senior Advisor at McKinsey & Company and Richard King Mellon Professor Emeritus of Finance at the Wharton School, University of Pennsylvania; and Chester Spatt, Kenneth B. and Pamela R. Dunn Professor of Finance and Director, Center for Financial Markets, Tepper School of Business at Carnegie Mellon.

In the 1980s Professor Lars Peter Hansen became established as the leading contributor to the development and application of rigorous estimation and testing methods for financial data. His 1982 paper on Generalized Methods of Moments fundamentally altered the way that empirical research is done in finance and macroeconomics. This new methodology led him, with Ken

Singleton, to make one of the pioneering contributions to what became known as the “equity premium puzzle.” Hansen continues to be a prolific researcher. He is part of a team investigating how long-run risk tradeoffs are encoded in asset prices. Hansen has also collaborated with others to develop models in which investors guard their investments against possible model misspecification, which they have shown are reflected in security market values and contribute to price dynamics.

Professor Hansen is a member of the National Academy of Sciences and American Academy of Arts and Sciences, and fellow of the Econometric Society and a fellow of the American Finance Association. Hansen is a former John Simon Guggenheim Memorial Foundation Fellow and Sloan Foundation Fellow. Since 1981 Hansen has served on the faculty of the University of Chicago’s Department of Economics, where he was the former director of graduate studies and chairman. He is the recipient of the 2006 Erwin Plein Nemmers Prize in Economics from Northwestern University, a Faculty Award for Excellence in graduate teaching from the University of Chicago, and co-winner of the Frisch Medal from the Econometric Society.

In acknowledging the award, Prof. Hansen said, “Probability theory and statistics provide wonderful tools to explore financial economics. I expect they will continue to provide insights into the understanding of the economic underpinnings of financial markets just as they have served other scientific fields of endeavor. The MSRI and the CME Group are wise to nurture such productive linkages. I am surprised and honored to be awarded the third CME Group-MSRI Prize and be in the esteemed company of Stephen A. Ross and David M. Kreps.”

CME Group Chairman Emeritus and CME Group-MSRI Prize Selection Committee member Leo Melamed said, “Dr. Hansen’s decades of mathematical research have brought about significant advances in the world of financial economics. His development of the Generalized Method of Moments, which helps analyze economic models in numerous fields, has become one of the top statistical tools for the analysis of financial data. I am honored to present to Dr. Hansen, the CME Group-MSRI Prize in Innovative Quantitative Applications.”

Robert Bryant, CME Group-MSRI Prize Selection Committee member and Director of MSRI said, “The insights of Dr. Hansen wonderfully illustrate the remarkable results that can be gained through the application of mathematics in economics; he shows how mathematical intuition and rigor can relate directly to real world problems. It is extraordinarily fitting to have CME Group, which leads in innovation in a very practical field, and MSRI, which seeks innovation in a very fundamental sense, collaborate to present this prize.”

The 2008 CME Group-MSRI Prize Selection Committee includes: Leo Melamed, Chairman Emeritus, CME Group; Anat Admati, Joseph McDonald Professor of Finance and Economics, Stanford Graduate School of Business; Robert Bryant, Director, Mathematical Sciences Research Institute; Darrell Duffie (Committee Chair), James I. Miller Professor of Finance, Graduate School of Business, Stanford University; John Gould, Steven G. Rothmeier Professor and Distinguished Service Professor of Economics, University of Chicago Graduate School of Business; Sanford Grossman, Chairman and CEO, Quantitative Financial Strategies, Inc.; Steven A. Ross, Franco Modigliani Professor of Financial Economics at the MIT Sloan School of Management and the first recipient of the CME-MSRI Prize (2006); Jose A. Scheinkman, Theodore A. Wells ’29 Professor of Economics, Princeton University, Department of Economics; and Hugo Sonnenschein, President Emeritus and Adam Smith Distinguished Service Professor, University of Chicago, Department of Economics.

Previous recipients of the CME Group-MSRI Prize and Medal are: (2007) David M. Kreps, Senior Associate Dean for Academic Affairs, Faculty Director of the MBA Program, and Theodore J. Kreps Professor of Economics, Stanford Graduate School of Business; (2006) Stephen A. Ross, Franco Modigliani Professor of Financial Economics, MIT Sloan School of Management.

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) 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) is the world's largest and most diverse derivatives exchange. Building on the heritage of CME, CBOT and NYMEX, 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 trading floors in Chicago and New York. By acting as the buyer to every seller and the seller to every buyer, CME Clearing virtually elimininates counterparty credit risk. CME Clearing also offers $7 billion in financial safeguards to help mitigate systemic risk, providing the security and confidence market participants need to operate, invest and grow. 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, energy, agricultural commodities, metals, and alternative investment products such as weather and real estate. CME Group is listed on NASDAQ under the symbol "CME."

The Mathematical Sciences Research Institute (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 2,500 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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