NYMEX HOLDINGS INC
Form 10-Q
November 14, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

NYMEX HOLDINGS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	333-30332	13-4098266
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(COMMISSION FILE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

ONE NORTH END AVENUE, WORLD FINANCIAL CENTER, NEW YORK, NEW YORK	10282-1101
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(212) 299-2000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

As of November 14, 2003, 816 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

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ITEM 1. FINANCIAL STATEMENTS

NYMEX HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
OPERATING REVENUES:				

Clearing and transaction fees, net of member fee rebates	$33,337	$35,159	$102,093	$105,627
Market data fees	7,632	8,246	23,952	24,690
Other, net of rebates	4,879	2,338	10,465	5,590
Total operating revenues	45,848	45,743	136,510	135,907
OPERATING EXPENSES:				
Salaries and employee benefits	13,854	11,332	39,448	33,192
Occupancy and equipment	7,128	5,856	21,029	17,788
Professional services	4,508	4,024	14,020	12,344
General and administrative	7,695	5,295	18,536	12,083
Depreciation and amortization of property and equipment, net of deferred credit amortization	4,895	5,330	14,360	15,231
Telecommunications	1,722	591	4,372	6,646
Loss on disposition of property and equipment, and impairment of capitalized software	--	696	977	2,293
Marketing and other	2,368	3,531	8,093	7,770
Total operating expenses	42,170	36,655	120,835	107,347
INCOME FROM OPERATIONS	3,678	9,088	15,675	28,560
OTHER INCOME (EXPENSES):				
Investment income, net	643	2,043	3,393	4,889
Interest expense	(1,823)	(1,875)	(5,468)	(5,625)
INCOME BEFORE PROVISION FOR INCOME TAXES	2,498	9,256	13,600	27,824
PROVISION FOR INCOME TAXES	960	4,427	6,130	13,414
NET INCOME	1,538	4,829	7,470	14,410
Net income per share (based on 816 shares)	$ 1,885	$ 5,918	$ 9,154	$ 17,659
Retained earnings, beginning of period	14,155	10,505	8,223	924
Net income	1,538	4,829	7,470	14,410
Less: dividends	(2,500)	--	(2,500)	--
Retained earnings, end of period	$13,193	$15,334	$ 13,193	$ 15,334

The accompanying notes are an integral part of these statements.

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NYMEX HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
ASSETS		
Cash and cash equivalents	$ 3,050	$ 1,014
Securities purchased under agreements to resell	47,000	40,760
Marketable securities, at market (cost of $62,671 at September 30, 2003 and $65,285 at December 31, 2002)	66,264	66,976

Clearing and transaction fees receivable, net	13,326	13,884
Clearing deposits and guaranty funds	84,617	75,327
Other current assets	21,971	14,748
Total current assets	236,228	212,709
Property and equipment, net	216,966	223,878
Other assets	29,436	26,168
TOTAL ASSETS	$482,630	$462,755
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 13,832	$ 16,036
Accrued salaries and related liabilities	11,530	5,610
Income taxes payable	11,342	4,335
Clearing deposits and guaranty funds	84,617	75,327
Other current liabilities	18,443	18,389
Total current liabilities	139,764	119,697
Notes payable	91,551	91,551
Deferred credit -- grant for building construction	113,136	114,745
Deferred income taxes	5,226	9,622
Subordinated commitment -- COMEX members' retention program	11,528	11,038
Other non-current liabilities	14,920	14,567
Total liabilities	376,125	361,220
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, at $0.01 par value, 816 shares authorized, issued and outstanding	--	--
Additional paid-in capital	93,312	93,312
Retained earnings	13,193	8,223
Total stockholders' equity	106,505	101,535
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$482,630	$462,755

The accompanying notes are an integral part of these statements.

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NYMEX HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,470	$14,410
Adjustments to reconcile net income to net cash provided by operating activities:		

Depreciation and amortization of property and equipment, net of deferred credit amortization........	14,360	15,231
Deferred income taxes.................................	(5,671)	7,376
Loss on disposition of property and equipment, and impairment of capitalized software....................	977	2,293
Decrease (increase) in operating assets:		
Marketable securities...............................	712	(2,167)
Clearing and transaction fees receivable, net........	558	(6,373)
Clearing deposits and guaranty funds................	(9,290)	(56,130)
Other current assets................................	(5,949)	554
(Decrease) increase in operating liabilities:		
Accounts payable and accrued liabilities............	(2,204)	(6,148)
Accrued salaries and related liabilities............	5,920	2,861
Income taxes payable................................	7,007	4,817
Clearing deposits and guaranty funds................	9,290	56,130
Other current liabilities...........................	5,054	6,952
Subordinated commitment.............................	490	1,470
Other non-current liabilities.......................	353	24
Net cash provided by operating activities...........	29,077	41,300
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures....................................	(10,033)	(16,594)
Increase in securities purchased under agreements to resell...	(6,240)	(28,500)
(Increase) decrease in other assets......................	(3,268)	174
Net cash used in investing activities...............	(19,541)	(44,920)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid...	(7,500)	--
Cash used in financing activities...................	(7,500)	--
Net increase (decrease) in cash and cash equivalents........	2,036	(3,620)
Cash and cash equivalents, beginning of year...............	1,014	5,680
Cash and cash equivalents, end of period...................	$ 3,050	$ 2,060

The accompanying notes are an integral part of these statements.

NYMEX HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Throughout this document NYMEX Holdings, Inc., will be referred to as "NYMEX Holdings" and, together with its subsidiaries, as the "Company." The two principal subsidiaries of NYMEX Holdings are New York Mercantile Exchange, Inc., ("NYMEX Exchange" or "NYMEX Division"), and Commodity Exchange, Inc. ("COMEX" or "COMEX Division"), which is a wholly-owned subsidiary of NYMEX Exchange. Where appropriate, each division will be discussed separately and collectively will be discussed as the "Exchange."

NATURE OF BUSINESS -- The Company exists principally to provide facilities for buying and selling energy and precious and base metals commodities for future delivery under rules intended to protect the interests of market participants. The Company itself does not own commodities, trade for its own account, or otherwise engage in market activities. The Company provides the physical facilities necessary to conduct an open-outcry auction market, electronic trading systems, systems for the matching and clearing of trades executed on the Exchange, and systems for the clearing of certain bilateral trades executed in the off-exchange market. These services facilitate price discovery, hedging, and liquidity in the energy and metals markets. Transactions executed on the Exchange mitigate the risk of counter-party default because the Exchange clearinghouse acts as the counter-party to every trade. The Exchange is regulated by the Commodity Futures Trading Commission. To manage risk of financial nonperformance, the Exchange requires members to post margin. (See Note 5.)

The Company provides market data information for subscribers regarding prices of futures and options contracts traded on the Exchange. As is common business practice in the industry, fees are remitted to the Company by market data vendors on behalf of subscribers. Revenues are accrued for the current month based on the most recent month reported by the vendors. The Company conducts periodic audits of the information provided.

BASIS OF PRESENTATION -- The accompanying unaudited condensed consolidated financial statements of NYMEX Holdings and subsidiaries have been prepared in accordance with Accounting Principles Board Opinion No. 28 and Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission ("SEC"). These are unaudited condensed consolidated financial statements and do not include all necessary disclosures required for complete financial statements.

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the dates and interim periods covered. Interim period operating results may not be indicative of the operating results for a full year. This information should be read in conjunction with the audited consolidated financial statements and notes thereto as of December 31, 2002 and 2001 and for each year in the three-year period ended December 31, 2002.

The preparation of the accompanying unaudited condensed consolidated financial statements and related notes in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the disclosure of contingent liabilities. Actual results could differ from those estimates.

It is the Company's policy to reclassify amounts to conform to the current presentation where appropriate. All inter-company balances and transactions have been eliminated in consolidation.

For a summary of significant accounting policies and additional information, see note 1 to the audited December 31, 2002 financial statements, which were filed with the SEC in the Company's Form 10-K on March 6, 2003.

2. RECENT ACCOUNTING PRONOUNCEMENTS

The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 145, which rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, SFAS No. 44, Accounting for Intangible Assets of Motor Carriers, and SFAS No. 64, Extinguishment of Debt Made to Satisfy Sinking-Fund Requirement ("SFAS 145"). SFAS No. 145 also amends SFAS No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. As a result of the rescission of SFAS No. 64, the criteria in Accounting Principles Board ("APB") No. 30 will be used to classify gains and losses from debt extinguishment. SFAS No. 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meaning, or describe their applicability under changed conditions. SFAS No. 145 became effective for the Company as of January 1, 2003. The adoption of SFAS No. 145 had no impact on the Company's consolidated results of operations, financial position, or cash flows.

The Company adopted SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activity, effective January 1, 2003. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities, and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring), which previously governed the accounting treatment for restructuring activities. SFAS No. 146 applies to costs associated with an exit activity covered by SFAS No. 144. Those costs include, but are not limited to, the following: (1) termination benefits under the terms of a benefit arrangement that, in substance, is not an ongoing benefit arrangement or an individual deferred-compensation contract, (2) costs to terminate a contract that is not a capital lease, and (3) costs to consolidate facilities to relocate employees. SFAS No. 146 does not apply to costs associated with the retirement of long-lived assets covered by SFAS No. 143. The adoption of SFAS No. 146 had no impact on the Company's consolidated results of operations, financial position or cash flows.

The Company adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity during the third quarter of 2003. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The adoption of SFAS No. 150 had no impact on the Company's condensed consolidated results of operations, financial position, or cash flows.

The Company adopted Financial Accounting Interpretation ("FIN") No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, effective January 1, 2003. FIN No. 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees, and standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions of FIN No. 45 were applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material impact on the Company's condensed consolidated results of operations, financial position or cash flows. (See Note 7.)

3. COLLATERALIZATION

At September 30, 2003 and December 31, 2002, the Company accepted collateral in the form of United States Treasury bills that it is permitted by contract or industry practice to sell or repledge, although it is not the Company's policy to do so. This collateral was received in connection with reverse repurchase agreements

with, and is held in custody by, the Company's banks. The fair values of such collateral at September 30, 2003 and December 31, 2002 were approximately $47.0 million and $40.8 million.

4. INCENTIVE PROGRAMS

The Company has proprietary fee reduction programs that reduce clearing fees for Exchange members. Rebates under these programs totaled $3.7 million and $1.0 million for the three months ended September 30, 2003 and September 30, 2002, and $11.8 million and $3.1 million for the nine-months ended September 30, 2003 and September 30, 2002. In the unaudited condensed consolidated statements of operations and retained earnings, clearing and transaction fees are presented net of these fee reductions. In September 2003, the Company announced that effective October 1, 2003, the level of fees paid to NYMEX Division members under its proprietary fee reduction program would be reduced by 50%, and that the program in its current form would be eliminated on December 31, 2003.

The Company has several incentive programs that reduce certain member operating costs. These incentive programs resulted in revenue reductions of $200,000 and $461,000 for the three months ended September 30, 2003 and September 30, 2002, and $1,028,000 and $1,265,000 for the nine-months ended September 30, 2003 and September 30, 2002. Other revenues are presented net of fee reductions related to these programs in the unaudited condensed consolidated statements of operations and retained earnings. The Company also implemented certain programs designed to provide incentives to third party intermediaries to place business with the Company. Costs incurred under these programs during the third quarter of 2003 were $1,364,000 and $2,646,000 for the nine-months ended September 30, 2003. These costs are included in general and administrative expenses on the unaudited condensed consolidated statement of operations.

5. CLEARING DEPOSITS AND GUARANTY FUNDS

The Company is required, under the Commodity Exchange Act, to maintain separate accounts for cash and securities that are deposited by clearing members at banks, approved by the Company, as margin for house and customer accounts. These clearing deposits are used by members to meet their obligations to the Company for margin requirements on open futures and options positions, as well as delivery obligations.

Each clearing member firm is required to maintain a security deposit, in the form of cash or U.S. Treasury securities, ranging from $100,000 to $2.0 million, per division, depending upon such clearing member firm's reported regulatory capital, in a fund known as a "Guaranty Fund." Historically, separate and distinct Guaranty Funds were maintained for the NYMEX Division and the COMEX Division. Effective May 16, 2003, the NYMEX Division assumed all of the clearing functions of the COMEX Division. Accordingly, the deposits have been aggregated and are now maintained in a single Guaranty Fund which may be used for any loss sustained by the Company as a result of the failure of a clearing member to discharge its obligations on either division. Although there is now one Guaranty Fund for both divisions, separate contribution amounts are calculated for each division.

The Company is entitled to earn interest on cash balances posted as clearing deposits and guaranty funds. Such balances are included in the accompanying unaudited condensed consolidated financial statements. The following table sets forth Clearing Deposits and Guaranty Fund balances held by the Company on behalf of clearing members at September 30, 2003 and December 31, 2002.

SEPTEMBER 30, 2003

	(IN THOUSANDS)		
	CASH AND RESALE AGREEMENTS	MONEY MARKET FUNDS, U.S. TREASURIES & LETTERS OF CREDIT	TOTAL
Clearing Deposits	$81,857	$6,107,414	$6,189,271
Guaranty Fund	2,760	147,546	150,306
Total	$84,617	$6,254,960	$6,339,577

DECEMBER 31, 2002

	CASH AND RESALE AGREEMENTS	MONEY MARKET FUNDS, U.S. TREASURIES & LETTERS OF CREDIT	TOTAL
Clearing Deposits	$74,305	$4,957,366	$5,031,671
Guaranty Fund	1,022	154,158	155,180
Total	$75,327	$5,111,524	$5,186,851

6. SEGMENT REPORTING

The Company has two business segments: (1) Open Outcry and (2) Electronic Trading and Clearing.

Open Outcry is the trading and clearing of NYMEX Division and COMEX Division futures and options contracts which are traded on the trading floor of the Exchange. Electronic Trading and Clearing consists of trades which are executed and/or cleared through NYMEX ACCESS(R), NYMEX ClearPort(SM) Trading and NYMEX ClearPort(SM) Clearing systems.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS -- (CONTINUED)

Financial information relating to these business segments is set forth below:

(IN THOUSANDS)	OPEN-OUTCRY 3 MOS.	OPEN-OUTCRY 9 MOS.	ELECTRONIC TRADING AND CLEARING 3 MOS.	ELECTRONIC TRADING AND CLEARING 9 MOS.	TOTAL 3 MOS.	TOTAL 9 MOS.
Three and Nine Months Ended September 30, 2003:						
Operating revenues.......	$39,852	$117,456	$5,996	$19,054	$45,848	$136,510
Operating expenses.......	40,522	116,691	1,648	4,144	42,170	120,835
Operating (loss) income................	(670)	765	4,348	14,910	3,678	15,675
Investment income, net...	643	3,393	--	--	643	3,393
Interest expense.........	1,823	5,468	--	--	1,823	5,468
Depreciation and amortization, net.....	4,421	12,884	474	1,476	4,895	14,360
Income tax (benefit expense...............	(718)	(580)	1,678	6,710	960	6,130
Net (loss) income........	$(1,132)	$ (730)	$2,670	$ 8,200	$ 1,538	$ 7,470
Three and Nine Months Ended September 30, 2002:						
Operating revenues.......	$41,431	$123,049	$4,312	$12,858	$45,743	$135,907
Operating expenses.......	34,149	95,449	2,506	11,898	36,655	107,347
Operating income.........	7,282	27,600	1,806	960	9,088	28,560
Investment income, net...	2,043	4,889	--	--	2,043	4,889
Interest expense.........	1,875	5,625	--	--	1,875	5,625
Depreciation and amortization, net.....	3,288	9,473	2,037	5,743	5,330	15,231
Income tax expense.......	3,564	12,951	863	463	4,427	13,414
Net income...............	$ 3,886	$ 13,913	$ 943	$ 497	$ 4,829	$ 14,410

7. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is involved in legal proceedings and litigation arising in the ordinary course of business. Set forth below are descriptions of legal proceedings and litigation to which the Company is a party as of September 30, 2003. Although there can be no assurance as to the ultimate outcome, the Company has denied, or believes it has a meritorious defense and will deny, liability in all significant cases pending against it, including the matters described below, and intends to defend vigorously each such case. While the ultimate result of the proceedings against the Company cannot be predicted with certainty, it is the opinion of management that, after consultation with outside legal counsel, the resolution of these matters, will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company has been named as a defendant in the following legal actions:

eSpeed, Inc. and Electronic Trading Systems Corporation. v. New York Mercantile Exchange. This action was originally filed in the United States District Court for the Northern District of Texas (Dallas Division) and is now pending in United States District Court for the Southern District of New York. NYMEX Exchange was served with a summons and complaint on or about May 10, 1999. This is a patent infringement case, in which the plaintiff alleges that it is the owner of United States Patent No. 4,903,201 entitled "Automated Futures Trade Exchange" and that NYMEX Exchange is infringing

this patent through use of its electronic trading system. The plaintiff seeks an unspecified amount of royalties. The Markman hearing was held on April 18, 2002. On June 26, 2002, the Court issued a decision in which it construed more broadly the meaning of certain elements of the patent claims than those constructions proposed by the Exchange. This decision may limit the scope of the arguments that the Exchange may have respecting non-infringement.

Enrique Rivera and Edith Rivera v. New York Mercantile Exchange, Mark Kessloff, Les Faison, Brian Bartichek and John Does "1-10." This action is pending in New York State Supreme Court (Bronx County). NYMEX Exchange was served with the summons and complaint on or about April 22, 1999. This is an ethnic discrimination case, in which the plaintiff alleges that throughout his employment with NYMEX Exchange he was subjected to a hostile work environment and discrimination regarding his ethnic origin. Plaintiff seeks an unspecified amount of compensatory and punitive damages. The plaintiff filed a Note of Issue on or about September 27, 2002.

New York Mercantile Exchange v. IntercontinentalExchange, Inc. On November 20, 2002, NYMEX Exchange commenced an action in United States District Court for the Southern District of New York against IntercontinentalExchange, Inc. ("ICE"). NYMEX Exchange alleges claims for (a) copyright infringement by ICE arising out of ICE's uses of certain NYMEX Exchange settlement prices; (b) service mark infringement by reason of use by ICE of the service marks NYMEX and NEW YORK MERCANTILE EXCHANGE, (c) violation of trademark anti-dilution statutes, and (d) interference with contractual relationships. On January 6, 2003, ICE served an Answer and Counterclaims, in which ICE makes five counterclaims against NYMEX Exchange principally alleging violations of U.S. antitrust laws, including those relating to monopolistic behavior based upon access to NYMEX Exchange settlement prices, restraint of trade and tying of trade execution and clearing services. The counterclaims request damages and trebled damages in amounts not specified yet by ICE in addition to injunctive and declaratory relief. NYMEX Exchange's response to the counterclaims was served on February 26, 2003. On August 11, 2003, the Court issued an opinion dismissing certain counterclaims and one affirmative defense, with leave to replead. On about August 28, 2003 the NYMEX Exchange was served with ICE's First Amended Counterclaims in which ICE makes four counterclaims against NYMEX Exchange principally alleging violations of U.S. antitrust laws, including claims regarding monopoly leveraging and sham litigation. On about September 2, 2003 ICE moved to dismiss NYMEX Exchange's first cause of action (copyright infringement). NYMEX Exchange's motion to dismiss the counterclaims and its opposition to ICE's motion to dismiss the copyright infringement claim was served on October 30, 2003.

Financial Guarantees

The Company serves a clearinghouse function, standing as a financial intermediary on every open futures and options transaction cleared. Through its clearinghouse, the Exchange maintains a system of guarantees for performance of obligations owed to buyers and sellers. In the event of a customer or clearing member default, the Exchange draws on Clearing deposits and the Guaranty funds, to satisfy the obligations under the applicable contract. To the extent that funds are not otherwise available from these sources to satisfy the obligations under the applicable contract, the Exchange can assess its clearing members for the balance of the financial obligations. As of September 30, 2003, there were no clearing members in default.

The Company has provided financial guarantees and pledged collateral with one of its banks relating to a membership seat financing program. Under this program, members may borrow from the lending financial institution up to a specified percentage of the purchase price of their seats. The Company guarantees all loans under this program and must hold collateral, in the form of pledged securities, at the bank in an amount equal to 118% of the outstanding loan balances. As of September 30, 2003 and December 31, 2002 the amounts of outstanding guarantees under this program were $9.6 million and $5.0 million.

There were no events of default during the third quarter of 2003 in either arrangement discussed above in which a liability should be recognized in accordance with FIN 45. As such, the adoption of this pronouncement had no impact on the Company's unaudited condensed consolidated results of operations, financial position, or cash flows, during the three and nine-months ended September 30, 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND STATISTICAL DATA)

Introduction

This discussion summarizes the significant factors affecting the financial condition and results of operations of the Company during the three and nine-months ended September 30, 2003. This discussion is provided to increase the understanding of, and should be read in conjunction with, the unaudited condensed consolidated financial statements, accompanying notes and tables included in this quarterly report.

Forward Looking and Cautionary Statements and Factors That May Affect Future Results

Certain information in this report (other than historical data and information) constitutes forward-looking statements regarding events and trends that may affect the Company's future operating results and financial position. The words "estimate," "expect," "intend" and "project," as well as other words or expressions of similar meaning, are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this quarterly report on Form 10-Q. These statements are based on current expectations. Assumptions are inherently uncertain and are subject to risks that should be viewed with caution. Actual results and experience may differ materially from forward-looking statements as a result of many factors, including: changes in general economic, political and industry conditions in various markets in which the Company's contracts are traded, increased competitive activity, fluctuations in prices of the underlying commodities as well as for trading floor administrative expenses related to trading and clearing contracts, the ability to control costs and expenses, changes to legislation or regulations, protection and validity of our intellectual property rights and rights licensed from others, and other unanticipated events and conditions. It is not possible to foresee or identify all such factors. The Company assumes no obligation to update publicly any forward-looking statements.

Business Overview

NYMEX Holdings, Inc. ("NYMEX Holdings") was incorporated in 2000 as a stock corporation in Delaware, and is the successor to the New York Mercantile Exchange that was established in 1872. The two principal operating subsidiaries of NYMEX Holdings are the New York Mercantile Exchange, Inc. ("NYMEX Exchange" or "NYMEX Division") and the Commodity Exchange, Inc. ("COMEX" or "COMEX Division"), which is organized as a wholly-owned subsidiary of NYMEX Division. Where appropriate, each NYMEX Exchange operating division, NYMEX Division and COMEX Division, will be discussed separately, and collectively will be referred to as the "Exchange." When discussing NYMEX Holdings together with its subsidiaries, reference is being made to the "Company."

The Company facilitates the buying and selling of energy and metal commodities for future delivery under rules intended to protect the interests of market participants. The Company provides liquid marketplaces where physical commodity market participants can manage future price risk and, through the Company's clearing operations, mitigate counter-party credit risk. Through real-time and delayed dissemination of its transaction prices, the Company provides price discovery and transparency to market participants, further enhancing liquidity in the energy and metals markets. To enhance its markets and provide market participants additional mechanisms to manage risk, the Company continuously offers new products, distribution services and clearing services. The Company does not own commodities, trade for its own account, or otherwise engage in market activities.

The Company's NYMEX Division provides a marketplace for trading energy futures and options contracts. Its COMEX Division provides a marketplace for trading precious and base metals futures and options contracts. The NYMEX Division's principal markets include crude oil, natural gas, heating oil and unleaded gasoline products. The COMEX Division's principal markets include gold, silver and high grade copper products. The Company provides the physical facilities for an open-outcry auction market. The open outcry market operates during regular business hours, and trading activities in this market are, for purposes of this management discussion, referred to as floor trading. Through its NYMEX ACCESS(R) and NYMEX ClearPort(SM) Trading technology, the Company provides market participants the ability to conduct after-hours and electronic trading for floor-based products as well as 23 hours per day trading for additional

products. While the Company's primary electronic trading venue is NYMEX ACCESS(R), the Company continues to expect that NYMEX ClearPort(SM) Trading will become the mechanism through which all electronic trading on the Company's exchanges is conducted. The Company provides clearing services for all trades executed through its floor trading and electronic trading venues. Additionally, the Company's NYMEX ClearPort(SM) Clearing Services allows bilateral trades negotiated in the over-the-counter markets to be transferred to the Company as futures contracts for clearing.

Market data information relating to contracts on the Company's exchanges is disseminated to vendors and then redistributed to market participants and others. The level of market data fees correlates to the number of vendors and end users receiving data. The Company relies on its market data vendors to supply accurate information regarding the number of subscribers accessing the Company's market data information. The Company audits its market data vendors on a periodic basis.

MARKET CONDITIONS

Total futures and options trading and clearing volumes increased 2.6% in the third quarter and increased 3.1% for the nine-months ended September 30, 2003 from the comparable periods of 2002. Volumes for metals contracts traded on the COMEX Division increased from the comparable periods in 2002. Declines in floor-traded energy contracts on the NYMEX Exchange were partially offset by energy contract volume cleared through NYMEX ClearPort(SM) Clearing Services. NYMEX ClearPort(SM) Clearing Services was launched during the second quarter of 2002 and gained significant volume during the first nine-months of 2003.

Energy Markets -- NYMEX Division

Total futures and options contracts executed on the NYMEX Division floor and through NYMEX ACCESS(R) decreased 11.0% to 25.7 million contracts and 7.3% to 77.5 million contracts in the quarter and nine-month periods ended September 30, 2003 from the comparable periods of 2002. During the third quarter of 2003, aggregate volumes for petroleum-related contracts declined primarily due to the stabilization of the political situation in Iraq and subsiding uncertainty with regard to world production associated with global tensions.

A relatively mild summer across the United States, anticipation for normal winter temperatures, and the contraction of traditional market participants in the energy sector caused Natural Gas volume to decline during the nine-month period ended September 30, 2003 from the comparable period a year ago.

Higher refining margins for both Unleaded Gasoline and Heating Oil played a significant role in explaining the nine-month increase in futures volume. A general easing of world tensions and production uncertainty was offset by slowing demand. Various NYMEX initiatives, including the Exchange of Futures for Swaps ("EFS") and NYMEX ClearPort Clearing(SM) mechanisms introduced in Natural Gas in November 2002 and May 2002 respectively, helped mitigate the downturn in floor activity.

The following table sets forth transaction volumes for the Company's major energy futures and options products traded on the NYMEX Exchange floor and through NYMEX ACCESS(R).

		3Q03			3Q02	
QUARTERLY COMPARISON	FUTURES	OPTIONS	TOTAL	FUTURES	OPTIONS	TOTA
Light Sweet Crude.........	10,959,153	2,015,453	12,979,606	11,287,069	2,735,166	14,022
Henry Hub Natural Gas.....	4,362,736	1,904,373	6,267,109	6,371,757	2,724,339	9,096
Heating Oil..............	2,859,805	144,519	3,004,324	2,459,220	156,983	2,616
New York Unleaded						
Gasoline................	2,952,024	140,817	3,092,841	2,728,995	143,531	2,872

YEAR-TO-DATE COMPARISON	3Q03 FUTURES	3Q03 OPTIONS	3Q03 TOTAL	3Q02 FUTURES	3Q02 OPTIONS	3Q02 TOTA
Light Sweet Crude.........	33,919,385	7,733,869	41,653,254	33,770,182	8,438,165	42,208
Henry Hub Natural Gas.....	14,196,434	6,121,814	20,318,248	18,978,788	8,731,198	27,709
Heating Oil..............	8,696,995	468,608	9,165,603	7,507,988	412,763	7,920
New York Unleaded Gasoline...............	8,772,549	534,328	9,306,877	8,050,375	581,121	8,631

Metals Markets -- COMEX Division

Compared to the comparable periods in 2002, total futures and options trading volume for COMEX Division increased 57.0% to 6.8 million contracts in the third quarter of 2003, and increased 35.7% to 17.4 million for the nine-months ended September 30, 2003.

Gold trading activity soared year-to-date in 2003, with futures increasing 34.0% and options increasing 126.1% from the comparable period a year ago. The increase in the Gold contract volume was driven in part, by world tensions, a rebounding economy, and a weakening U.S. currency. Silver futures activity increased 25.8% in the nine-months ended September 30, 2003 compared to the same period a year ago. Accelerated economic growth and a weaker U.S. currency propelled the increase for this metal which serves both as an industrial and precious metal. Copper futures volume experienced strong growth year-to-date 2003. Futures volume rose nearly 10% over last year's third quarter. Increased global industrial production, particularly in the Far East, was the primary reason for this increase.

The following table sets forth trading volumes for the Company's major metals futures and options products.

QUARTERLY COMPARISON	3Q03 FUTURES	3Q03 OPTIONS	3Q03 TOTAL	3Q02 FUTURES	3Q02 OPTIONS	3Q02 TOTAL
Gold......................	3,063,106	1,544,413	4,607,519	2,206,536	465,064	2,671,600
Silver....................	1,186,201	175,327	1,361,528	742,330	116,871	859,201
High Grade Copper.........	773,369	9,007	782,376	762,674	8,931	782,376

YEAR-TO-DATE	3Q03 FUTURES	3Q03 OPTIONS	3Q03 TOTAL	3Q02 FUTURES	3Q02 OPTIONS	3Q02 TOTAL
Gold.....................	8,970,852	3,214,660	12,185,512	6,695,917	1,421,938	8,117,855
Silver...................	3,022,618	387,848	3,410,466	2,402,456	447,375	2,849,831
High Grade Copper........	2,322,554	24,732	2,347,286	2,118,274	25,525	2,143,799

Results of Operations

For the third quarter and nine-months ended September 30, 2003

Net income, as well as basic and diluted earnings per share, decreased 68% and 48% in the three and nine-month periods ended September 30, 2003, from the comparable periods in 2002.

Revenue

The Company's principal sources of revenues are clearing and transaction fees derived from trades executed on its exchanges and cleared through its clearinghouse, and market data fees derived from the dissemination of the Company's futures and options contract information. Total operating revenues were slightly higher in the three and nine-month periods ended September 30, 2003 than the comparable periods in 2002.

Clearing and Transaction Fees

The levels of clearing and transaction fees are primarily dependent upon the volumes of trading activity conducted on the Company's exchanges and cleared by the Company's clearinghouse. Clearing and transaction fees decreased 5% in the third quarter and 3% in the nine-month period ended September 30, 2003

from the comparable periods of 2002. The decrease in the third quarter was primarily due to an increase in the amount of fees refunded to members under the Company's proprietary fee reduction program. Partially offsetting this decline were revenues from contracts cleared through NYMEX ClearPort(SM) Clearing Services. The decrease in the nine-months ended September 30, 2003 was driven by an increase in the amount of fees refunded to members under the proprietary fee reduction program, which was partially offset by revenues from increased trading and clearing volumes. Average clearing and transaction fee revenue per contract was $0.98 and $1.06 in the third quarter of 2003 and comparable period of 2002. For the nine-month periods ended September 30, 2003 and 2002, average revenue per contract was $1.03 and $1.10. The Company charges higher fees for electronic trading than for floor trading and NYMEX ClearPort(SM) Clearing. During 2003, the Company increased the level of fees refunded to members through its proprietary fee reduction program. The effect of this increase offsets growth in average revenue per contract that resulted from higher proportions of electronic trading and clearing.

In September 2003, the Company announced that effective October 1, 2003, the level of fees paid to NYMEX Division members under its proprietary fee reduction program would be reduced by 50%, and that the program in its current form would be eliminated on December 31, 2003. It is expected that the reduction and elimination of this will result in increased levels of clearing and transaction fees. Although the current program is being eliminated, the Company may introduce similar programs in the future.

Market Data

Market data revenues consist primarily of fees charged to market data subscribers for the use of the Company's futures and options contract information. These fees are charged on a per-subscriber basis and fluctuate as the number of subscribers change. Market data revenues decreased 7% in the third quarter of 2003 and 3% for the nine-month period ended September 30, 2003, from the comparable periods of 2002 as a result of a decline in the number of subscriber units.

Other Revenue

Other revenue increased 109% and 87% in the three and nine-month periods ended September 30, 2003 from the comparable periods of 2002. The increase was primarily due to a large compliance fine levied on one of the Company's clearing members during the third quarter 2003 and rental income from a lease agreement between the Company and the New York Board of Trade ("NYBOT").

Operating Expenses

Total operating expenses increased 15% and 13% in the three and nine-month periods ended September 30, 2003 from the comparable periods of 2002.

Salaries and employee benefits increased 22% and 19% in the three and nine-month periods ended September 30, 2003 from the comparable periods in 2002. The increases were due to an increase in employee bonus accruals, severance incurred in the third quarter of 2003, higher staffing levels and lower levels of capitalized compensation expense related to internal software development activities.

Occupancy and equipment expenses increased 22% and 18% in the three and nine-month periods ended September 30, 2003 from the comparable periods in 2002, primarily due to rent expense for the Company's new disaster recovery site.

Professional services increased 12% and 14% in the three and nine-month periods ended September 30, 2003 from the comparable periods in 2002. The increases were primarily due to the Company's involvement in certain ongoing litigation and additional expenses associated with the reconfiguration of the COMEX Division trading floor to accommodate NYBOT's trading operation.

General and administrative expenses increased 45% and 53% in the three and nine-month periods ended September 30, 2003. The increases were primarily due to the implementation of the certain programs designed to provide incentives to third parties to place business with the Company in 2003. These programs were not in place in 2002. Also contributing to the increase were litigation-related expenses and higher insurance costs

related to increases in property insurance premiums, which were driven by a weakened insurance market subsequent to the September 11, 2001 terrorist attacks.

Depreciation and amortization of property and equipment, net of deferred credit amortization, decreased by 8% and 6% in the three and nine-month periods ended September 30, 2003 from the comparable periods in 2002. The decreases were primarily due to lower amortization of capitalized software development costs. During 2002, the Company wrote off capitalized computer software that management deemed to have no meaningful remaining useful life.

Telecommunications increased by 191% and decreased 34% in the three and nine-month periods ended September 30, 2003 from the comparable periods in 2002. The increase in the third quarter was due primarily to the recognition in the third quarter of 2002 of a credit which was recorded when the Company realized a more favorable charge than it had anticipated for the termination of certain telecommunications services.

For the nine-months ended September 30, 2002, the Company recognized a net charge related to the termination of these services. Telecommunication expenses for the nine-month period ended September 30, 2003 declined due to the absence of this termination charge. An increase in data communications expense related to the Company's new business recovery site, partially offset this reduction in telecommunications costs.

Marketing and other expenses decreased 33% in the three month period ended

September 30, 2003 from the comparable periods in 2002. The decrease was primarily due to larger advertising expenditures in the third quarter of 2002 due to the launch of NYMEX ClearPort(SM) and e-miNY initiatives. These costs increased by 4% during the nine-month period due primarily to an increase, in the fourth quarter of 2002, in the Company's contribution toward member medical benefits.

Other Income

Investment income, net of investment advisory fees, decreased 69% in the quarter and 31% in the nine-month period ended September 30, 2003 from the comparable periods in 2002. The Company's investment portfolio is invested principally in municipal bonds. Portfolio market values were unfavorably impacted during the third quarter of 2003 due to the large sell off of bonds. Unrealized losses at September 30, 2003 were the primary reason for the quarter and year to date declines.

PROVISION FOR INCOME TAXES

The Company's effective tax rate was 45.1% and 48.2% for the nine-months of 2003 and 2002. The effective tax rate declined in 2003 due to a higher proportion of tax-exempt earnings to pre-tax income.

FINANCIAL CONDITION AND CASH FLOWS

Liquidity and Capital Resources

The Company has made, and expects to continue to make, significant investments in technology. Capital expenditures were $3.7 million during the third quarter of 2003 and $10.0 million year to date. Future cash flows will benefit from the occupancy of NYBOT in the Company's headquarters building in the third quarter of this year. The Company had $116.3 million in cash, cash equivalents, reverse repurchase agreements and marketable securities at September 30, 2003. On April 14, 2003, the Exchange received a long-term AA+ and a short-term A-1+ counter-party credit rating from Standard & Poor's Rating Services ("S&P").

Cash Flow

(IN THOUSANDS)	NINE MONTHS ENDED SEPTEMBER 30, 2003	2002
Net cash provided by (used in):		
Operating activities	$ 29,077	$ 41,300
Investing activities	(19,541)	(44,920)
Financing activities	(7,500)	--
Net increase (decrease) in cash and cash equivalents	$ 2,036	$ (3,620)

Net cash provided by operating activities was $29.1 million, driven by net income before non-cash depreciation expense, capital asset disposition losses and the provision for income taxes.

Investing activities in 2003 included the ongoing investment of operating cash flows in the Company's investment portfolio and the acquisition of certain assets of TradinGear.com ("TG"), a trading software development and licensing company. The primary asset purchased was TG's trade-matching engine, which the Company had been licensing from TG. The Company intends to use this software as the foundation for its electronic trading strategy, NYMEX ClearPort(SM) Trading. In January 2003, the Company distributed to its shareholders the $5 million dividend it had declared in December 2002. On July 9, 2003, the Company declared a $2.5 million dividend to shareholders of record as of July 15, 2003, which was paid on August 4, 2003.

Working Capital

	(IN THOUSANDS) AT SEPTEMBER 30, 2003	(IN THOUSANDS) AT DECEMBER 31, 2002
Current assets	$236,228	$212,709
Current liabilities	139,764	119,697
Working capital	$ 96,464	$ 93,012
Current ratio	1.69	1.78

Current assets at September 30, 2003 increased 11% from year-end 2002 due to increases in securities purchased under agreements to resell, clearing deposits and guaranty funds, and other current assets. Clearing deposits and guaranty funds represent the cash component of clearing member deposits into the guaranty funds, which provide capital for the Company's clearing business, and the cash component of house and customer margin deposits posted by clearing members with the Company's clearinghouse. The Company may invest this cash, subject to significant restrictions, for its own benefit and, therefore, reflects these funds as current income-producing assets with the equivalent offsetting liabilities to the respective clearing members.

Current liabilities at September 30, 2003 increased by 17%, from year-end 2002, primarily due to accrual of bonus compensation, which is paid in December, severance costs incurred during 2003 as well as a rise in income taxes payable.

Future Cash Requirements

As of September 30, 2003, the Company had long-term debt of $91.6 million and short-term debt of $2.8 million. This debt consisted of the following:

- $25.4 million of 7.48% notes, of which $2.8 million is short term, with a remaining ten-year principal payout,

- $54 million of 7.75% notes with an eleven-year principal payout beginning in 2011, and

- $15 million of 7.84% notes with a five-year principal payout beginning in 2022.

The Company would incur a redemption premium should it choose to pay off any debt series prior to its maturity. Management believes that the economic benefit from refinancing at a lower rate would be offset by the redemption penalty incurred. These notes contain certain limitations on the Company's ability to incur additional indebtedness.

In connection with its operating activities, the Company enters into certain contractual obligations. The Company's material contractual cash obligations include long-term debt, operating leases and other contracts.

A summary of the Company's future cash payments associated with its contractual cash obligations outstanding as of September 30, 2003 as well as an estimate of the timing in which these commitments are expected to expire, are set forth on the following table below (in thousands):

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATION	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS	TOTAL
Long-term debt principal...........	$ 2,817	$ 5,634	$ 5,634	$ 80,315	$ 94,400
Debt interest......................	7,153	13,674	12,831	56,666	90,324
Operating leases...................	2,279	5,435	5,171	6,555	19,440
Other long-term obligations(1).....	934	2,243	2,921	6,218	12,316
Total..............................	$13,183	$26,986	$26,557	$149,754	$216,480

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(1) Subordinated commitment -- COMEX Members' Recognition and Retention Plan.

The table above does not include the Company's financial guarantees under the "Seat Financing Program" since the Company has the right to liquidate the member's interests in case the member defaults on the loan.

The Company and NYBOT entered into a lease that became effective on November 20, 2002. The rent commencement date for the trading floor space was July 1, 2003. The rent commencement date for the office space was March 2003.

The Company believes that its cash flows from operations and existing working capital will be sufficient to meet its needs for the foreseeable future, including capital and operating expenditures associated with the development of its electronic trading strategy and other initiatives. In addition, the Company has the ability, and may seek, to raise capital through issuances of debt or equity in the private and public capital markets.

On May 16, 2003, the Company integrated its NYMEX Division and COMEX Division clearing operations. In conjunction with this integration, the individual NYMEX Division and COMEX Division guaranty funds were combined, and the Company obtained a $100 million default insurance policy to further protect the Exchange and its clearing members from a clearing member default.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION

Clearing and Transaction Revenues

The largest source of the Company's operating revenues are clearing and transaction fees. These fees are recognized as revenue in the same period that trades are effectuated on the Company's exchanges. Clearing and transaction fees receivable are monies due the Company from clearing member firms. Exposure to losses on receivables is principally dependent on each member firm's financial condition. Members' equity interests collateralize fees owed to the Company. At the end of September 30, 2003 and December 31, 2002, no clearing and transaction fees receivable balance was greater than the member's equity interests. Management does not believe that a concentration of credit risk exists from these receivables. The Company retains the right to liquidate a member's equity interest in order to satisfy its receivable.

Clearing and transaction fees receivable are carried net of allowances for member credits, which are based upon expected billing adjustments. Allowances for member credits of $500,000 were recorded as a reduction of clearing and transaction fees receivable at September 30, 2003 and December 31, 2002. The Company believes the allowances are adequate to cover member credits. The Company also believes the likelihood of incurring material losses due to collectibility is remote and, therefore, no allowance for doubtful accounts is necessary.

Market Data Revenue

The Company provides information to subscribers regarding futures and options contracts traded on the Exchange. As is common business practice in the industry, fees are generally remitted to the Exchange by market data vendors on behalf of subscribers. Revenues are accrued for the current month based on the last month reported. The Company conducts periodic audits of the information provided, and assesses, where appropriate based on audit findings, additional fees.

Capitalization of Internally-Developed Software

The costs incurred for the development of computer software are evaluated on a project-by-project basis and capitalized in accordance with Statement of Position 98-1. Projects are amortized over two to five-year periods.

Deferred Credits

In 1995, the Company secured a grant of $128.7 million from the New York City Economic Development Corporation and the Empire State Development Corporation ("ESDC", formerly known as the New York State Urban Development Corporation) for construction of its corporate headquarters and trading facility. The grant is being recognized in income on the same basis as, and is a reduction to, the depreciation of the facility.

In 2002, the Company entered into an agreement and received a $5 million grant from the ESDC. This agreement requires the Company to maintain certain annual employment levels, and the grant is subject to recapture amounts, on a declining scale, over time. The grant is being recognized in income over the term of the recapture schedule.

Recent Accounting Pronouncements

The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 145, which rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, SFAS No. 44, Accounting for Intangible Assets of Motor carriers, and SFAS No. 64, Extinguishment of Debt Made to Satisfy Sinking-Fund Requirement

("SFAS 145"). SFAS No. 145 also amends SFAS No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. As a result of the rescission of SFAS No. 64, the criteria in Accounting Principles Board ("APB") No. 30 will be used to classify gains and losses from debt extinguishment. SFAS No. 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meaning, or describe their applicability under changed conditions. SFAS No. 145 became effective for the Company as of January 1, 2003. The adoption of SFAS No. 145 had no impact on the Company's consolidated results of operations, financial position, or cash flows.

The Company adopted SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activity, effective January 1, 2003. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities, and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring), which previously governed the accounting treatment for restructuring activities. SFAS No. 146 applies to costs associated with an exit activity covered by SFAS No. 144. Those costs include, but are not limited to, the following: (1) termination benefits under the terms of

a benefit arrangement that, in substance, is not an ongoing benefit arrangement or an individual deferred-compensation contract, (2) costs to terminate a contract that is not a capital lease, and (3) costs to consolidate facilities to relocate employees. SFAS No. 146 does not apply to costs associated with the retirement of long-lived assets covered by SFAS No. 143. The adoption of SFAS No. 146 had no impact on the Company's consolidated results of operations, financial position or cash flows.

The Company adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity during the third quarter of 2003. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The adoption of SFAS No. 150 had no impact on the Company's condensed consolidated results of operations, financial position, or cash flows.

The Company adopted Financial Accounting Interpretation ("FIN") No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, effective January 1, 2003. FIN No. 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees, and standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions of FIN No. 45 were applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material impact on the Company's unaudited condensed consolidated results of operations, financial position or cash flows.

BUSINESS HIGHLIGHTS

On July 21, 2003, the Company extended its agreement with Koch Supply & Trading, LP, for Koch Metals to act as the specialist market maker for its aluminum futures contract. Koch Metals, through its designated floor broker, will maintain an orderly, two-sided market throughout the open outcry session for aluminum futures.

On September 3, 2003, a NYMEX Division seat sold for a record $1,625,000, topping the three seats that sold for $1,500,000 on August 20, 2003. Ownership of a seat on the NYMEX Division also represents a share of common stock in NYMEX Holdings, as well as a Class A membership on NYMEX Exchange.

On September 22, 2003, the Company announced that the 2 millionth Henry Hub natural gas swap futures contract was posted for clearing through the NYMEX Exchange ClearPort(SM) Clearing website. The Henry Hub natural gas swap is a financially settled futures contract for natural gas transactions at the Henry Hub, the principal pricing point for natural gas in North America. The contract is one of 66 energy futures contracts that can be transacted off of the Exchange and submitted to the Exchange clearinghouse.

On September 24, 2003, the Company announced a record 4,326 heating oil futures contracts were traded on the NYMEX ACCESS(R) electronic trading system, surpassing the previous record of 3,910 contracts traded in the February 27 overnight session.

On August 14 and 15, 2003, New York City experienced an electrical blackout, which disrupted the Company's business. The blackout did not have a material effect on the Company's unaudited condensed consolidated results of operations, financial position or cash flows and the Company expects to be reimbursed for these business losses incurred during this period from its insurance carrier.

RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, integrity and objectivity of the unaudited condensed consolidated financial statements and related notes, and the other financial information contained in this quarterly report. Such financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are considered by management to present fairly the Company's financial position, results of operations and cash flows. These unaudited condensed consolidated

financial statements include some amounts that are based on management's best estimates and judgements, giving due consideration to materiality.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information about the Company's marketable securities, excluding equity securities, and long term debt including expected principal cash flows for the years 2003 through 2008 and thereafter (in thousands).

PRINCIPAL AMOUNTS BY EXPECTED MATURITY
AT SEPTEMBER 30, 2003

YEAR	PRINCIPAL AMOUNT	WEIGHTED AVERAGE INTEREST RATE
ASSETS		
MUNICIPAL BONDS AND TREASURIES		

2003	$ 355	3.43%
2004	$ 821	5.04%
2005	$ 2,998	4.49%
2006	$ 7,452	4.66%
2007	$ 10,886	4.64%
2008 and thereafter	$ 35,637	4.40%
Total	$ 58,149	N/A
Fair Value	$ 62,319	N/A
LIABILITIES		
CORPORATE DEBT		
2003	$ 2,817	7.69%
2004	$ 2,817	7.71%
2005	$ 2,817	7.71%
2006	$ 2,817	7.72%
2007	$ 2,817	7.73%
2008 and thereafter	$ 80,281	7.74%
Total	$ 94,366	N/A
Fair Value	$123,002	N/A

Interest Rate Risk

Current Assets. In the normal course of business, the Company invests primarily in fixed income securities. Marketable securities bought by the Company are typically held for the purpose of selling them in the near term and are classified as trading securities. Unrealized gains and losses are included in earnings. For the nine-months ended September 30, 2003 and the year ended December 31, 2002, the Company had net investment income of $3.4 million and $5.7 million. Accordingly, a substantial portion of the Company's investment income depends upon its ability to continue to invest monies in these instruments at prevailing interest rates and market prices. The fair value of these securities at September 30, 2003 and December 31, 2002 were $66.3 million and $67.0 million. The change in fair value, using a hypothetical 10% decline in prices, is estimated to be $6.6 million for September 30, 2003 and $6.7 million for December 31, 2002. The

Company also invests in U.S. government securities and reverse repurchase agreements and maintains interest-bearing balances in its trading accounts with its investment managers. Financial instruments with maturities of three months or less when purchased are classified as cash equivalents in the unaudited condensed consolidated balance sheets.

Debt. The interest rate on the Company's long-term debt is a weighted average fixed rate of 7.69%. The Company's fixed rate debt is exposed to the risk that the fair market value of its debt will increase in a declining interest rate environment. This would result in the Company paying a redemption premium if it should choose to refinance this debt. Management has not deemed it necessary to employ any interest rate risk management strategies, such as interest rate swap agreements. In the future, as the Company pursues its market strategy, it may become subject to a higher degree of interest rate sensitivity if it is required to borrow at higher or at variable rates. This could significantly increase the Company's future sensitivity to interest rate fluctuations and materially affect, in a negative manner, the Company's future financial position and results of operations. There have been no material changes in the Company's outstanding debt since December 31, 2002.

Credit Risk

NYMEX Exchange's bylaws authorizes its Board of Directors to fix annual dues of NYMEX Members and to levy assessments as it determines to be necessary. Such dues and assessments are payable at such time as NYMEX's Board of Directors may determine. The Company's Board of Directors may waive the payment of dues by all NYMEX Members or by individual Members as it determines. COMEX's bylaws provide its Board of Directors with similar powers relating to dues, assessments and fees with respect to COMEX Members, provided that such dues and assessments (or fee surcharges in lieu thereof) may not be imposed (other than in connection with certain Merger-related events) without the consent of the COMEX Governors Committee and that the ability of COMEX's Board of Directors to impose such fee is subject to the limitations.

The Exchange, as a self-regulatory organization, has instituted detailed risk-management policies and procedures to guard against default risk with respect to contracts traded on the Exchange. The Exchange also has extensive surveillance and compliance operations and procedures to monitor and to enforce compliance with rules pertaining to the trading, position sizes and financial condition of Members. As described herein, the Exchange has powers and procedures designed to backstop contract obligations in the event that a contract default occurs on the Exchange including authority to levy assessments on any of the NYMEX Clearing Members if, after a default by another NYMEX Clearing Member, there are insufficient funds available to cover a deficit. The maximum assessment on each NYMEX Clearing Member is the lesser of $30 million or 40% of such NYMEX Clearing Member's capital. Prior to the integration of the COMEX Division's clearing operations into the NYMEX Exchange clearinghouse, the maximum assessment was the lesser of $15 million or 40% of the clearing member's capital.

Despite the Exchange's authority to levy assessments or impose fees, there can be no assurance that the relevant Members will have the financial resources available to pay, or will not choose to be expelled from membership rather than pay, any dues, fees or assessments. The Exchange believes that assessment liabilities of a Member arising prior to expulsion are contractual in nature and, accordingly, survive expulsion. In addition, the Exchange would have recourse to such Member and the proceeds from the Exchange's sale of such Member's seat to apply towards any outstanding obligations to the Exchange of such Member. Recourse to a Member's seat, however, may not be of material value in the case of large defaults that result in assessments greater in value than the seat.

Moreover, despite the risk mitigation techniques adopted by, and the other powers and procedures implemented by the Exchange, which are designed to, among other things, minimize the potential risks associated with the occurrence of contract defaults on the Exchange, there can be no assurance that these powers and procedures will prevent contract defaults or will otherwise function to preserve the liquidity of the Exchange. In the case of a contract default, to the extent that funds are not otherwise available to the Exchange or the Clearinghouse to satisfy the obligations under such contract, as a result of the clearinghouse's

role as buyer to every seller and seller to every buyer of futures and options contracts traded on the Exchange, the clearinghouse would be obligated to perform such obligations.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based upon such evaluation, such officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company that is required to be included in our periodic filings under such Exchange Act.

(b) Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in our internal controls that could significantly affect such controls.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31 Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

Not applicable

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, on the 14th day of November, 2003.

NYMEX HOLDINGS, INC.

By: /s/ LEWIS A. RAIBLEY, III

Name: Lewis A. Raibley, III
Title: Duly Authorized Officer and
Principal Financial Officer