NASDAQ OMX GROUP, INC.
Form 10-Q
November 07, 2013
Table Of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from to

Commission file number: 000-32651

The NASDAQ OMX Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	52-1165937 (I.R.S. Employer Identification No.)
One Liberty Plaza, New York, New York (Address of Principal Executive Offices)	10006 (Zip Code)

+1 212 401 8700

(Registrant's telephone number, including area code)

No changes

(Former name, former address and former fiscal year, if changed since last report)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).   Yes x   No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2013
Common Stock, $.01 par value per share	167,576,017 shares

Table Of Contents

The NASDAQ OMX Group, Inc.

Form 10-Q

For the Quarterly Period Ended September 30, 2013

INDEX

Table Of Contents

About This Form 10-Q

Throughout this Form 10-Q, unless otherwise specified:

•"NASDAQ OMX," "we," "us" and "our" refer to The NASDAQ OMX Group, Inc.

•"The NASDAQ Stock Market" and "NASDAQ" refer to the registered national securities exchange operated by The NASDAQ Stock Market LLC.

•"OMX AB" refers to OMX AB (publ), as that entity operated prior to the business combination with Nasdaq.

•"Nasdaq" refers to The Nasdaq Stock Market, Inc., as that entity operated prior to the business combination with OMX AB.

•"NASDAQ OMX Nordic" refers to collectively, NASDAQ OMX Clearing AB, NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen, NASDAQ OMX Helsinki and NASDAQ OMX Iceland.

•"NASDAQ OMX Nordic Clearing" refers to collectively, the clearing operations conducted through NASDAQ OMX Nordic and NASDAQ OMX Commodities.

•"NASDAQ OMX Baltic" refers to collectively, NASDAQ OMX Tallinn, NASDAQ OMX Riga and NASDAQ OMX Vilnius.

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Aces®, Auto Workup®, Autospeed®, AXE®, BX Venture Market®, CCBN®, Directors Desk®, Dream It. Do It®, E and Design®, eSpeed and Design®, eSpeed®, e-Speed®, eSpeed Elite®, eSpeed Filing®, eSpeedoMeter®, EVI®, FINQLOUD®, FTEN®, GlobeNewswire®, INET®, ITCH®, Kleos®, Market Intelligence Desk®, Market Mechanics®, MarketSite®, MYCCBN®, NASDAQ®, NASDAQ Biotechnology®, NASDAQ Capital Market®, NASDAQ Competitive VWAP®, NASDAQ Composite®, NASDAQ Composite Index®, NASDAQ Computer Index®, NASDAQ-Financial®, NASDAQ-Financial Index®, NASDAQ Financial-100 Index®, NASDAQ Global Market®, NASDAQ Global Select Market®, NASDAQ Industrial Index®, NASDAQ Interact®, NASDAQ Internet Index®, NASDAQ Market Analytix®, NASDAQ Market Center®, NASDAQ Market Forces®, NASDAQ Market Velocity®, NASDAQ MarketSite®, NASDAQ MAX®, NASDAQ National Market®, NASDAQ OMX®, NASDAQ OMX Advantage®, NASDAQ OMX Alpha Indexes®, NASDAQ OMX BX®, NASDAQ OMX Futures Exchange®, NASDAQ OMX Green Economy Index®, NASDAQ OMX Nordic®, NASDAQ Q-50 Index®, NASDAQ Telecommunications Index®, NASDAQ TotalView®, NASDAQ Trade Up®, NASDAQ Trader®, NASDAQ Transportation®, NASDAQ US ALL Market®, NASDAQ Volatility Guard®, NASDAQ Workstation®, NASDAQ Workstation II®, NASDAQ-100®, NASDAQ-100 European®, NASDAQ-100 Index®, NASDAQ-100 Index Tracking Stock®, NDX®, NFX World Currency®, NFX XL®, PHLX®, PORTAL Alliance®, QQQ®, QView®, R3®, RX®, Shareholder.com®, Sidecar®, SX®, The NASDAQ OMX Group®, The NASDAQ Stock Market®, The Stock Market for the Next 100 Years®, Trade Up® and UltraFeed® are significant registered trademarks of The NASDAQ OMX Group, Inc. and its affiliates in the U.S. and other countries.

"FINRA®" and "Trade Reporting Facility®" are registered trademarks of the Financial Industry Regulatory Authority, or FINRA.

All other trademarks and servicemarks used herein are the property of their respective owners.

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This Quarterly Report on Form 10-Q includes market share and industry data that we obtained from industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys generally state that the information they contain has been obtained from sources believed to be reliable, but we cannot assure you that this information is accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most currently available market data. For market comparison purposes, The NASDAQ Stock Market data in this Quarterly Report on Form 10-Q for initial public offerings, or IPOs, is based on data generated internally by us, which includes best efforts underwritings and closed-end funds; therefore, the data may not be comparable to other publicly-available IPO data. Data in this Quarterly Report on Form 10-Q for new listings of equity securities on The NASDAQ Stock Market is based on data generated internally by us, which includes best efforts underwritings, issuers that switched from other listing venues, closed-end funds and exchange traded funds, or ETFs. Data in this Quarterly Report on Form 10-Q for IPOs and new listings of equities securities on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic also is based on data generated internally by us. IPOs and new listings data is presented as of period end. While we are not aware of any misstatements regarding industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors. We refer you to the “Risk Factors” section in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, the “Risk Factors” section in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 that was filed with the U.S. Securities and Exchange Commission, or SEC, on August 8, 2013, the “Risk Factors” section in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 that was filed with the SEC, on May 7, 2013, and the “Risk Factors” section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 that was filed with the SEC on February 21, 2013.

Table Of Contents

Forward-Looking Statements

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Quarterly Report on Form 10-Q contains these types of statements. Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and w terms of similar substance used in connection with any discussion of future expectations as to industry and regulatory developments or business initiatives and strategies, future operating results or financial performance identify forward-looking statements. These include, among others, statements relating to:

•our 2013 outlook;

•the scope, nature or impact of acquisitions, divestitures, investments or other transactional activities;

•the integration of acquired businesses, including accounting decisions relating thereto;

•the effective dates for, and expected benefits of, ongoing initiatives, including strategic, technology, de-leveraging and capital return initiatives;

•the impact of pricing changes;

•tax matters;

•costs and savings associated with restructuring activities;

•the cost and availability of liquidity; and

•the outcome of any litigation and/or government investigation to which we are a party and other contingencies.

Forward-looking statements involve risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following:

•our operating results may be lower than expected;

•loss of significant trading and clearing volume, market share or listed companies;

•economic, political and market conditions and fluctuations, including interest rate and foreign currency risk, inherent in U.S. and international operations;

•government and industry regulation;

•our ability to successfully integrate acquired businesses, including the fact that such integration may be more difficult, time consuming or costly than expected, and our ability to realize synergies from business combinations and acquisitions;

•covenants in our credit facilities, indentures and other agreements governing our indebtedness which may restrict the operation of our business; and

•adverse changes that may occur in the securities markets generally.

Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the uncertainty and any risk related to forward-looking statements that we make. These risk factors are discussed under the caption “Part II. Item 1A. Risk Factors,” in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 that was filed with the SEC on August 8, 2013, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 that was filed with the SEC on May 7, 2013, and more fully described in the “Risk Factors” section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 that was filed with the SEC on February 21, 2013. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. You should carefully read this entire Quarterly Report on Form 10-Q, including “Part 1. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the condensed consolidated financial statements and the related notes. Except as required by the federal securities laws, we undertake no obligation to update any forward-looking statement, release publicly any revisions to any forward-looking statements or report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Table Of Contents

PART 1—FINANCIAL INFORMATION

Item 1. Financial Statements.

The NASDAQ OMX Group, Inc.

Condensed Consolidated Balance Sheets

(in millions, except share and par value amounts)

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 300	$ 497
Restricted cash	81	85
Financial investments, at fair value	190	223
Receivables, net	372	333
Deferred tax assets	54	33
Default funds and margin deposits	1,934	209
Other current assets	141	112
Total current assets	3,072	1,492
Non-current restricted cash	-	25
Property and equipment, net	249	211
Non-current deferred tax assets	399	294
Goodwill	6,191	5,335
Intangible assets, net	2,409	1,650
Other non-current assets	166	125
Total assets	$ 12,486	$ 9,132
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 255	$ 172
Sections 31 fees payable to SEC	19	97
Accrued personnel costs	115	111
Deferred revenue	187	139
Other current liabilities	114	119
Deferred tax liabilities	38	35
Default funds and margin deposits	1,934	209
Current portion of debt obligations	45	136
Total current liabilities	2,707	1,018
Debt obligations	2,673	1,840

Non-current deferred tax liabilities	716	713
Non-current deferred revenue	152	156
Other non-current liabilities	182	196
Total liabilities	6,430	3,923
Commitments and contingencies		
Equity		
NASDAQ OMX stockholders' equity:		
Common stock, $0.01 par value, 300,000,000 shares authorized, shares issued: 213,426,908 at September 30, 2013 and December 31, 2012; shares outstanding: 167,405,199 at September 30, 2013 and 165,605,838 at December 31, 2012	2	2
Preferred stock, 30,000,000 shares authorized, series A convertible preferred stock: shares issued: 1,600,000 at September 30, 2013 and December 31, 2012; shares outstanding: none at September 30, 2013 and December 31, 2012	-	-
Additional paid-in capital	4,270	3,771
Common stock in treasury, at cost: 46,021,709 shares at September 30, 2013 and 47,821,070 shares at December 31, 2012	(1,023)	(1,058)
Accumulated other comprehensive loss	(51)	(185)
Retained earnings	2,857	2,678
Total NASDAQ OMX stockholders' equity	6,055	5,208
Noncontrolling interests	1	1
Total equity	6,056	5,209
Total liabilities and equity	$ 12,486	$ 9,132

See accompanying notes to condensed consolidated financial statements.

The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

(in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Market Services	$ 499	$ 519	$ 1,559	$ 1,686
Listing Services	57	55	170	166
Information Services	118	99	333	307
Technology Solutions	131	73	300	206
Total revenues	805	746	2,362	2,365
Cost of revenues:				
Transaction rebates	(231)	(250)	(749)	(855)
Brokerage, clearance and exchange fees	(68)	(84)	(238)	(257)
Total cost of revenues	(299)	(334)	(987)	(1,112)
Revenues less transaction rebates, brokerage, clearance and exchange fees	506	412	1,375	1,253
Operating expenses:				
Compensation and benefits	150	113	394	338
Marketing and advertising	7	6	22	20
Depreciation and amortization	33	26	88	77
Professional and contract services	41	27	104	78
Computer operations and data communications	22	18	58	52
Occupancy	26	22	71	67
Regulatory	8	8	23	26
Merger and strategic initiatives	-	(3)	33	-
Restructuring charges	-	10	9	36
General, administrative and other	17	15	61	43
Voluntary accommodation program	-	-	62	-
Total operating expenses	304	242	925	737
Operating income	202	170	450	516
Interest income	2	2	7	6
Interest expense	(32)	(24)	(81)	(73)
Asset impairment charges	-	-	(10)	(40)
Loss on divestiture of business	-	(14)	-	(14)

Loss from unconsolidated investees, net	(1)	-	(1)	-
Income before income taxes	171	134	365	395
Income tax provision	58	45	122	131
Net income	113	89	243	264
Net loss attributable to noncontrolling interests	-	-	1	2
Net income attributable to NASDAQ OMX	$ 113	$ 89	$ 244	$ 266
Per share information:				
Basic earnings per share	$ 0.68	$ 0.53	$ 1.46	$ 1.57
Diluted earnings per share	$ 0.66	$ 0.52	$ 1.43	$ 1.53
Cash dividends declared per common share	$ 0.13	$ 0.13	$ 0.39	$ 0.26

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	$ 113	$ 89	$ 243	$ 264
Other comprehensive income:				
Net unrealized holding gains on available-for-sale investment securities:	7	1	21	3
Foreign currency translation gains:				
Net foreign currency translation gains (losses)	147	224	(5)	201
Income tax benefit (expense)	(65)	(80)	118	(76)
Total	82	144	113	125
Total other comprehensive income, net of tax	89	145	134	128
Comprehensive income	202	234	377	392
Comprehensive loss attributable to noncontrolling interests	-	-	1	2
Comprehensive income attributable to NASDAQ OMX	$ 202	$ 234	$ 378	$ 394

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income	$ 243	$ 264
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	88	77
Share-based compensation	32	34
Excess tax benefits related to share-based compensation	(11)	-
Provision for bad debts	5	5
Deferred income taxes	(15)	(20)
Non-cash restructuring charges	1	15
Loss on divestiture of business	-	14
Asset impairment charges	10	40
Loss from unconsolidated investees, net	1	-
Amortization of debt issuance costs	2	2
Accretion of debt discounts	3	3
Other non-cash items included in net income	(1)	1
Net change in operating assets and liabilities, net of effects of acquisitions:		
Receivables, net	(36)	(26)
Other assets	3	62
Accounts payable and accrued expenses	78	(25)
Section 31 fees payable to SEC	(78)	(82)
Accrued personnel costs	-	(55)
Deferred revenue	13	37
Other liabilities	(1)	10
Net cash provided by operating activities	337	356
Cash flows from investing activities:		
Purchases of trading securities	(300)	(176)
Proceeds from sales and redemptions of trading securities	356	309
Purchase of equity and cost method investments	(39)	-
Acquisitions of businesses, net of cash and cash equivalents acquired	(1,121)	(97)
Purchases of property and equipment	(80)	(63)
Net cash used in investing activities	(1,184)	(27)
Cash flows from financing activities:		
Payments of debt obligations	(191)	(134)

Proceeds from debt obligations, net of debt issuance costs	895	-
Cash paid for repurchase of common stock	(10)	(225)
Cash dividends	(65)	(43)
Issuances of common stock, net of treasury stock purchases	17	-
Excess tax benefits related to share-based compensation	11	-
Other financing activities	(1)	(1)
Net cash provided by (used in) financing activities	656	(403)
Effect of exchange rate changes on cash and cash equivalents	(6)	6
Net decrease in cash and cash equivalents	(197)	(68)
Cash and cash equivalents at beginning of period	497	506
Cash and cash equivalents at end of period	$ 300	$ 438
Supplemental Disclosure Cash Flow Information		
Cash paid for:		
Interest	$ 77	$ 78
Income taxes, net of refund	$ 105	$ 116
Non-cash investing activities:		
Acquisition of eSpeed contingent future issuance of NASDAQ OMX common stock	$ 484	$ -
Investment in LCH Clearnet Group Limited	$ -	$ 37

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

The NASDAQ OMX Group, Inc.

Notes to Condensed Consolidated Financial Statements

1. Organization and Nature of Operations

We are a leading global exchange group that delivers trading, clearing, exchange technology, regulatory, securities listing, and public company services across six continents. Our global offerings are diverse and include trading and clearing across multiple asset classes, market data products, financial indexes, capital formation solutions, financial services and market technology products and services. Our technology powers markets across the globe, supporting cash equity trading, derivatives trading, clearing and settlement and many other functions.

In the U.S., we operate The NASDAQ Stock Market, a registered national securities exchange. The NASDAQ Stock Market is the largest single cash equities securities market in the U.S. in terms of listed companies and in the world in terms of share value traded. As of September 30, 2013, The NASDAQ Stock Market was home to 2,602 listed companies with a combined market capitalization of approximately $6.3 trillion. In addition, in the U.S. we operate two additional cash equities trading markets, three options markets, an electronic platform for trading of U.S. Treasuries and a futures market. Prior to the third quarter of 2013, we also engaged in riskless principal trading and clearing of over-the-counter, or OTC, power and gas contracts.

In Europe, we operate exchanges in Stockholm (Sweden), Copenhagen (Denmark), Helsinki (Finland), and Iceland as NASDAQ OMX Nordic, and exchanges in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania) as NASDAQ OMX Baltic. Collectively, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic offer trading in cash equities, bonds, structured products and ETFs, as well as trading and clearing of derivatives and clearing of resale and repurchase agreements. Through NASDAQ OMX First North, our Nordic and Baltic operations also offer alternative marketplaces for smaller companies. As of September 30, 2013, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, together with NASDAQ OMX First North, were home to 752 listed companies with a combined market capitalization of approximately $1.2 trillion. We also operate NASDAQ OMX Armenia.

In addition, NASDAQ OMX Commodities operates the world’s largest power derivatives exchange for trading and clearing of futures in the Nordics, Germany and the U.K., one of Europe’s largest carbon exchanges and, together with Nord Pool Spot, N2EX, a marketplace for physical U.K. power contracts. We also operate NOS Clearing ASA, or NOS Clearing, a leading Norway-based clearinghouse primarily for OTC traded derivatives for the freight market and seafood derivatives market and NASDAQ OMX NLX, a new London-based market for trading of listed short-term and long-term European (Euro and Sterling denominated) interest rate derivative products.

In some of the countries where we operate exchanges, we also provide clearing, settlement and depository services.

2. Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The condensed consolidated financial statements include the accounts of NASDAQ OMX, its wholly-owned subsidiaries and other entities in which NASDAQ OMX has a controlling financial interest. The accompanying unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation.

As permitted under U.S. GAAP, certain footnotes or other financial information can be condensed or omitted in the interim condensed consolidated financial statements. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in NASDAQ OMX's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

We have evaluated subsequent events through the issuance date of this Quarterly Report on Form 10-Q.

Changes in Reportable Segments

As announced in January 2013, we realigned our reportable segments as a result of changes to the organizational structure of our businesses. Our reportable segments now consist of Market Services, Listing Services, Information Services and Technology Solutions. See Note 16, "Business Segments," for further discussion. All prior period segment disclosures have been recast to reflect our change in reportable segments. Certain other prior year amounts have been reclassified to conform to the current year presentation.

Table Of Contents

Tax Matters

We use the asset and liability method to determine income taxes on all transactions recorded in the condensed consolidated financial statements. Deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities (i.e., temporary differences) and are measured at the enacted rates that will be in effect when these differences are realized. If necessary, a valuation allowance is established to reduce deferred tax assets to the amount that is more likely than not to be realized.

In order to recognize and measure our unrecognized tax benefits, management determines whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the recognition thresholds, the position is measured to determine the amount of benefit to be recognized in the condensed consolidated financial statements. Interest and/or penalties related to income tax matters are recognized in income tax expense.

As shown in the Condensed Consolidated Statements of Comprehensive Income, the income tax benefit on foreign currency translation losses of $118 million for the first nine months of 2013 as compared with an expense of $76 million in the same period of 2012, is primarily due to an assertion made by NASDAQ OMX in the second quarter of 2013 to permanently reinvest the earnings of certain foreign subsidiaries. As a result of this assertion, adjustments were made to our deferred tax balances relating to cumulative translation adjustments pertaining to these subsidiaries.

NASDAQ OMX and its eligible subsidiaries file a consolidated U.S. federal income tax return and applicable state and local income tax returns and non-U.S. income tax returns. Federal income tax returns for the years 2007 through 2010 are currently under audit by the Internal Revenue Service and we are subject to examination for 2011 and 2012. Several state tax returns are currently under examination by the respective tax authorities for the years 2005 through 2010 and we are subject to examination for 2011 and 2012. Non-U.S. tax returns are subject to examination by the respective tax authorities for the years 2005 through 2012. We have filed amended 2011 and 2012 Swedish value added tax returns which are currently being reviewed by the Swedish Tax Agency. We anticipate that the amount of unrecognized tax benefits at September 30, 2013 will significantly decrease in the next twelve months as we expect to settle certain tax audits. The final outcome of such audits cannot yet be determined. We anticipate that such adjustments will not have a material impact on our consolidated financial position or results of operations.

In the fourth quarter of 2010, we received an appeal from the Finnish Tax Authority challenging certain interest expense deductions claimed by NASDAQ OMX in Finland for the year 2008. The appeal also demanded certain penalties be paid with regard to the company’s tax return filing position. In October 2012, the Finnish Appeals Board disagreed with the company’s tax return filing position for years 2009 through 2011, even though the tax return position with respect to this deduction was previously reviewed and approved by the Finnish Tax Authority. NASDAQ OMX has appealed the ruling by the Finnish Appeals Board to the Finnish Administrative Court. In the second quarter of 2013, we paid $19 million to the Finnish Tax Authority, which represents an assessment for the years 2009 through 2011. We expect the Finnish Administrative Court to agree with our position and, if so, NASDAQ OMX will receive a refund for the amount paid. If the Finnish Administrative Court disagrees with our position, we will incur an additional assessment of $7 million for 2012 and the first nine months of 2013. Through September 30, 2013, we have recorded the tax benefits associated with the filing position.

From 2009 through 2012, we recorded tax benefits associated with certain interest expense incurred in Sweden. Our position is supported by a 2011 ruling we received from the Swedish Supreme Administrative Court. However, under new legislation effective January 1, 2013, limitations are imposed on certain forms of interest expense. Since the new legislation is unclear with regards to our ability to continue to claim such interest deductions, NASDAQ OMX has filed an application for an advance tax ruling with the Swedish Tax Council for Advance Tax Rulings. We expect to receive a favorable response from the Swedish Tax Council for Advance Tax Rulings. In the third quarter of 2013, we recorded a tax benefit of $4 million, or $.02 per diluted share, with respect to this issue in the condensed consolidated financial statements. Since January 1, 2013, we have recorded a tax benefit of $12 million, or $0.07 per diluted share, related to this matter. We expect to record recurring quarterly tax benefits of $4 million to $5 million with respect to this issue for the foreseeable future.

3. Restructuring Charges

During the first quarter of 2012, we performed a comprehensive review of our processes, organizations and systems in a company-wide effort to improve performance, cut costs, and reduce spending. This restructuring program was completed in the first quarter of 2013.

The following table presents a summary of restructuring charges in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2013 and 2012:

	Nine Months Ended September 30,	
	2013	2012
	(in millions)	
Severance	$ 6	$ 18
Facilities-related	1	10
Asset impairments	1	6
Other	1	2
Total restructuring charges	$ 9	$ 36

7

Table Of Contents

During the first nine months of 2013, we recognized restructuring charges totaling $9 million, including severance costs of $6 million related to workforce reductions of 31 positions across our organization, $1 million for facilities-related charges, discussed below, $1 million for asset impairments, primarily consisting of fixed assets and capitalized software that have been retired, and $1 million of other charges. During the first nine months of 2012, we recognized restructuring charges totaling $36 million, including severance costs of $18 million related to workforce reductions of 189 positions across our organization, $10 million for facility-related charges, discussed below, $6 million for asset impairments, primarily consisting of fixed assets and capitalized software which have been retired, and $2 million of other charges.

The following table presents a summary of restructuring charges in the Condensed Consolidated Statements of Income for the three months ended September 30, 2012:

	Three Months Ended September 30, 2012 (in millions)
Severance	$ 4
Facilities-related	5
Other	1
Total restructuring charges	$ 10

During the third quarter of 2012, we recognized restructuring charges totaling $10 million, including severance costs of $4 million related to workforce reductions of 27 positions across our organization, $5 million for facility-related charges, discussed below, and $1 million of other charges.

During the third quarter of 2012, we offered certain of our employees an incentive to voluntarily retire early. Charges related to the early retirement program totaled $3 million for the third quarter of 2012 and primarily include severance costs which are included in severance in the above table.

Restructuring Reserve

Severance

The accrued severance balance totaled $4 million at September 30, 2013 and $8 million at December 31, 2012 and is included in other current liabilities in the Condensed Consolidated Balance Sheets. The majority of the remaining accrued severance balance will be paid during the remaining three months of 2013. During the first nine months of 2013, $10 million of severance was paid.

Facilities-related

The facilities-related charges of $1 million for the first nine months of 2013, $5 million for the third quarter of 2012, and $10 million for the first nine months of 2012 relate to lease rent accruals for facilities we no longer occupy due to facilities consolidation. The facilities-related charges for the third quarter and first nine months of 2012 also include the write-off and disposal of leasehold improvements and other assets. The lease rent costs included in the facilities-related charges are equal to the future costs associated with the facility, net of estimated proceeds from any future sublease agreements that could be reasonably obtained, based on management's estimate. We will continue to evaluate these estimates in future periods, and thus, there may be additional charges or reversals relating to these facilities. The facilities-related restructuring reserve will be paid over several years until the leases expire. The facilities-related reserve balance, which totaled $2 million at September 30, 2013 and $3 million at December 31, 2012, is included in other current liabilities and other non-current liabilities in the Condensed Consolidated Balance Sheets.

Table Of Contents

4. Acquisitions and Divestiture

We completed the following acquisitions in 2013 and 2012. Financial results of each transaction are included in our Condensed Consolidated Statements of Income from the dates of each acquisition.

2013 Acquisitions

	Purchase Consideration	Total Net Assets (Liabilities) Acquired	Purchased Intangible Assets	Goodwill
	(in millions)			
eSpeed	$ 1,239	$ 5	$ 715	$ 519
TR Corporate Solutions businesses	366	(37)	91	312

The amounts in the table above represent the preliminary allocation of the purchase price and are subject to revision during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Adjustments to the provisional values during the measurement period will be recorded as of the date of acquisition. Comparative information for periods after acquisition but before the period in which the adjustments are identified will be adjusted to reflect the effects of the adjustments as if they were taken into account as of the acquisition date. Changes to amounts recorded as assets and liabilities may result in a corresponding adjustment to goodwill. There were no adjustments to the provisional values for the above acquisitions during the three and nine months ended September 30, 2013.

Acquisition of eSpeed for Trading of U.S. Treasuries

On June 28, 2013, we acquired from BGC Partners, Inc. and certain of its affiliates, or BGC, certain assets and assumed certain liabilities, including 100% of the equity interests in eSpeed Technology Services, L.P., eSpeed Technology Services Holdings, LLC, Kleos Managed Services, L.P. and Kleos Managed Services Holdings, LLC; the eSpeed brand name; various assets comprising the fully electronic portion of BGC's benchmark U.S. Treasury brokerage, market data and co-location service businesses, or eSpeed, for $1.2 billion. We acquired net assets, at fair value, totaling $5 million and purchased intangible assets of $715 million which consisted of $578 million for the eSpeed trade name, $121 million in customer relationships and $16 million in technology. The eSpeed businesses are part of our Market Services and Information Services segments.

The purchase price consisted of $755 million in cash and contingent future annual issuances of 992,247 shares of NASDAQ OMX common stock approximating certain tax benefits associated with the transaction of $484 million. Such contingent future issuances of NASDAQ OMX common stock will be paid ratably over 15 years if NASDAQ OMX achieves a designated revenue target in each such year. The contingent future issuances of NASDAQ OMX common stock are subject to anti-dilution protections and acceleration upon certain events.

NASDAQ OMX used the majority of the net proceeds from the issuance of €600 million aggregate principal amount of 3.875% senior unsecured notes due June 2021, or the 2021 Notes, to fund the cash consideration payable by us for the acquisition of eSpeed. See “3.875% Senior Unsecured Notes,” of Note 8, “Debt Obligations,” for further discussion.

Intangible Assets

The following table presents the details of the purchased intangible assets acquired in the acquisition of eSpeed. All purchased intangible assets with finite lives are amortized using the straight-line method. See Note 5, “Goodwill and Purchased Intangible Assets,” for further discussion.

9

Table Of Contents

Intangible assets:	Value (in millions)	Estimated Average Remaining Useful Life (in years)
Trade name:		
Market Services	$ 528	Indefinite
Information Services	50	Indefinite
Total trade name	578	
Customer relationships:		
Market Services	105	13 years
Information Services	16	13 years
Total customer relationships	121	
Technology:		
Market Services	14	5 years
Information Services	2	5 years
Total technology	16	
Total intangible assets	$ 715	

Below is a discussion of the methods used to determine the fair value of eSpeed's intangible assets, as well as a discussion of the estimated average remaining useful life of each intangible asset. The carrying amounts of all other assets and liabilities were deemed to approximate their estimated fair values.

Trade Name

NASDAQ OMX has incorporated eSpeed into two reporting segments—Market Services and Information Services. The eSpeed trade name was valued as used in each of these reporting segments. The trade name is recognized in the industry and carries a reputation for quality. As such, eSpeed and related brands' reputation and positive recognition embodied in the trade name are valuable assets to NASDAQ OMX. The trade name was considered the primary asset acquired in this transaction. In valuing the acquired trade name, we used the income approach, specifically the excess earnings method. The excess earnings method examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return that is attributable to the intangible asset being valued.

A discount rate of 10% was utilized, which reflects the amount of risk associated with the hypothetical cash flows generated by the eSpeed trade name in the future. In developing a discount rate for the trade name, we estimated a weighted average cost of capital for the overall business and we employed this rate when discounting the cash flows. The resulting discounted cash flows were then tax-effected at a rate of 40.0%, and a discounted tax amortization benefit was added to the fair value of the asset under the assumption that the trade name would be amortized for tax purposes over a period of 15 years for both Market Services and Information Services.

We have estimated the remaining useful life of the trade name to be indefinite. The estimated remaining useful life was based on several factors including the number of years the name has been in service, its popularity within the industry, and our intention to continue its use.

Customer Relationships

Customer relationships represent the non-contractual and contractual relationships that eSpeed has with its customers. The eSpeed customer relationships were valued using the income approach, specifically the with-and-without method. The with-and-without method is commonly used when the cash flows of a business can be estimated with and without the asset in place. The premise associated with this valuation technique is that the value of an asset is represented by the differences in the subject business' cash flows under scenarios where (a) the asset is present and is used in operations (with); and (b) the asset is absent and not used in operations (without). Cash flow differentials are then discounted to present value to arrive at an estimate of fair value for the asset.

We estimated that without current customer relationships, it would take approximately 4-5 years for the customer base to grow from 10% of current revenues to 100% of revenues. We also made estimates related to compensation levels and other expenses such as sales and marketing that would be incurred as the business was ramped up through year 5, which is the year the customer base would be expected to reach the level that currently exists.

Table Of Contents

A discount rate of 10%, which reflects the estimated weighted average cost of capital for the overall business, was utilized when discounting the cash flows. The resulting discounted cash flows were then tax-effected at a rate of 40.0%, and a discounted tax amortization benefit was added to the fair value of the asset under the assumption that the customer relationships would be amortized for tax purposes over a period of 15 years.

Based on the historical behavior of the customers and a parallel analysis of the customers using the excess earnings method, we have estimated the remaining useful life to be 13 years for the acquired customer relationships.

Technology

The fair value of the eSpeed acquired developed technology was valued using the income approach, specifically the relief from royalty method, or RFRM. The RFRM is used to estimate the cost savings that accrue to the owner of an intangible asset who would otherwise have to pay royalties or license fees on revenues earned through the use of the asset. The royalty rate is applied to the projected revenue over the expected remaining life of the intangible asset to estimate royalty savings. The net after-tax royalty savings are calculated for each year in the remaining economic life of the intangible asset and discounted to present value.

To determine the royalty rate we searched for and identified market transactions and royalty rates for comparable technology. Due to the limited data, we relied on our estimates and benchmarked the estimated excess earnings of eSpeed to determine a range of royalty rates that would be reasonable for the use of its intangible assets based on a profit split methodology. Profit split theory states that a reasonable market participant would be willing and able to make revenue based royalty payments of 25 to 33 percent of their operating profit to receive the rights to certain licensable intellectual property necessary for conducting business. Conversely, the owner of such intellectual property would save that amount or be relieved from making those royalty payments. By analyzing these profit splits at 25 and 33 percent, we estimated supportable royalty rates for the technology and selected a pre-tax royalty rate of 5%.

A discount rate of 10% was utilized, which reflects the estimated weighted average cost of capital for the overall business and we employed this rate when discounting the cash flows. The resulting discounted cash flows were then tax-effected at a rate of 40.0%, and a discounted tax amortization benefit was added to the fair value of the asset under the assumption that the technology would be amortized for tax purposes over a period of 15 years for both Market Services and Information Services.

We have estimated the remaining useful life to be 5 years for the acquired developed technology.

Acquisition of the Investor Relations, Public Relations and Multimedia Solutions Businesses of Thomson Reuters

On May 31, 2013, we acquired from Thomson Reuters their Investor Relations, Public Relations and Multimedia Solutions businesses, or the TR Corporate Solutions businesses, which provide insight, analytics and communications solutions, for $390 million ($366 million cash paid plus $24 million in working capital adjustments). We acquired net liabilities, at fair value, totaling $37 million and purchased intangible assets of $91 million which consisted of $89 million in customer relationships and $2 million in technology. The TR Corporate Solutions businesses are part of our Corporate Solutions business within our Technology Solutions segment.

NASDAQ OMX used cash on hand and borrowed $50 million under the revolving credit commitment to fund this acquisition. See “2011 Credit Facility,” of Note 8, “Debt Obligations,” for further discussion.

Intangible Assets

The following table presents the details of the purchased intangible assets acquired in the acquisition of the TR Corporate Solutions businesses. All purchased intangible assets with finite lives are amortized using the straight-line method. See Note 5, “Goodwill and Purchased Intangible Assets,” for further discussion.

Intangible assets:	Value (in millions)	Estimated Average Remaining Useful Life (in years)
Customer relationships	$ 89	9-14 years
Technology	2	2-5 years
Total intangible assets	$ 91	

Below is a discussion of the methods used to determine the fair value of the purchased intangible assets acquired in the acquisition of the TR Corporate Solutions businesses, as well as a discussion of the estimated average remaining useful life of each intangible asset. The carrying amounts of all other assets and liabilities were deemed to approximate their estimated fair values.

Table Of Contents

Customer Relationships

Customer relationships represent the non-contractual and contractual relationships that each of the TR Corporate Solutions businesses has with its customers and represented a key intangible asset in this transaction. Customer relationships were identified and valued individually for each of the TR Corporate Solutions businesses using the income approach, specifically an excess earnings method. This valuation method relied on assumptions regarding projected revenues, attrition rates, and operating cash flows for each of the TR Corporate Solutions businesses.

We assumed annual revenue attrition of 10.0% for the customers for each of the TR Corporate Solutions businesses, as well as charges for contributory assets. Operating expenses associated with maintaining the assets were applied to the attrition adjusted revenues. For the five years following 2016, operating margins were adjusted in order to reach a normalized operating margin level that included an estimate for the fixed costs for the businesses. From 2021 onward, the operating margin was held constant at a normalized level. The tax-effected cash flows were discounted at a rate of 11% to 11.5% based on the risk associated with the hypothetical cash flows generated by the customer base for each specific business line.

The cash flows were then tax-effected at a rate of 40.0%, and a discounted tax amortization benefit was added to the fair value of the assets under the assumption that the customer relationships would be amortized for tax purposes over a period of 15 years.

The estimated remaining useful life captured 90.0% of the present value of the cash flows generated by each customer relationship.

Technology

The fair values of the acquired developed technologies were valued using the income approach, specifically the RFRM, as discussed above under technology relating to eSpeed.

To determine the royalty rate we searched for and identified market transactions and royalty rates for comparable technology and relied on our estimates and expectations surrounding the relative importance of the acquired developed technologies, competing technologies, foreseeable shifts in the market, and expected royalty payments for comparable technologies. We also performed a profit split analysis, as described above in technology, for each separate acquired technology in order to estimate an acceptable royalty rate. Based on the information obtained and the profit spilt analysis, we selected a pre-tax royalty rate of 1.5% for the webhosting technology and 0.5% for the public relations and multimedia solutions technologies.

A discount rate of 11% was utilized based on the risk associated with the hypothetical cash flows generated by the developed technologies and we employed this rate when discounting the cash flows. The resulting discounted cash flows were then tax-effected at a rate of 40.0%, and a discounted tax amortization benefit was added to the fair value of the asset under the assumption that the developed technology would be amortized for tax purposes over a period of 15 years.

We have estimated the remaining useful life to be 2-5 years for the acquired developed technology.

Formation of The NASDAQ Private Market Joint Venture

In March 2013, we formed a joint venture with SharesPost, Inc., or SharesPost, creating The NASDAQ Private Market, or NPM, a preeminent marketplace for private growth companies. We own a majority interest in NPM, combining NASDAQ OMX's resources, market and operating expertise with SharesPost's leading web-based platform.

NPM plans to provide improved access to liquidity for early investors, founders and employees while enabling the efficient buying and selling of private company shares. Subject to regulatory approvals, NPM is expected to launch later in 2013. NPM is part of our U.S. Listing Services business within our Listing Services segment.

Acquisition of Dutch Cash Equities and Equity Derivatives Trading Venue

In April 2013, we acquired a 25% equity interest in The Order Machine, or TOM, a Dutch cash equities and equity derivatives trading venue. The terms of the transaction also provide us an option to acquire an additional 25.1% of the remaining shares at a future date. This transaction delivers on our strategy to expand our derivatives presence across the European market and is part of our Market Services segment. We account for our investment in TOM under the equity method of accounting. See “Equity Method Investments,” of Note 6, “Investments,” for further discussion of our equity method investments.

Table Of Contents

2012 Acquisitions

	Purchase Consideration	Total Net Assets (Liabilities) Acquired	Purchased Intangible Assets	Goodwill
	(in millions)			
NOS Clearing[(1)]	$ 40	$ 43	$ 1	$ -
BWise	77	(11)	35	53

(1) In the third quarter of 2012, we recognized a gain of $4 million on our acquisition of NOS Clearing, which is included in merger and strategic initiatives expense in the Condensed Consolidated Statements of Income.

Acquisition of NOS Clearing

In July 2012, we acquired NOS Clearing for approximately $40 million (233 million Norwegian Krone) in cash. NOS Clearing is a leading Norway-based clearinghouse primarily for OTC traded derivatives for the freight market and seafood derivatives market. We acquired net assets of $43 million, primarily restricted cash related to regulatory capital. The purchased intangible assets totaling $1 million consisted of customer relationships. NOS Clearing is part of our European derivative trading and clearing business within our Market Services segment.

Acquisition of BWise

In May 2012, we acquired a 72% ownership interest in BWise Beheer B.V., or BWise, a Netherlands-based service provider that offers enterprise governance, risk management and compliance software and services to help companies track, measure and manage key organizational risks for approximately $57 million (47 million Euro) in cash. We have agreed to purchase the remaining 28% ownership interest in BWise in two separate transactions, resulting in 100% ownership by the first half of 2015 for a total purchase price of approximately $77 million (62 million Euro). We acquired net liabilities of $2 million and recorded a current deferred tax liability of $1 million and a non-current deferred tax liability of $8 million related to purchased intangible assets, resulting in total net liabilities acquired of $11 million. The total deferred tax liabilities of $9 million represent the tax effect of the difference between the estimated assigned fair value of the acquired intangible assets ($35 million) and the tax basis ($0) of such assets. The estimated amount of $9 million was determined by multiplying the difference of $35 million by BWise’s effective tax rate of 25%. The purchased intangible assets of $35 million consisted of $23 million in customer relationships, $7 million in technology and $5 million for the BWise trade name. BWise is part of our Market Technology business within our Technology Solutions segment.

Due to changes in the anticipated performance of BWise, the estimated amount of future expected contingent purchase price obligations are $12 million at September 30, 2013 with payment dates through March 31, 2015. As a result, an

$8 million reduction was recorded to merger and strategic initiatives expense in the Condensed Consolidated Statements of Income for the third quarter and first nine months of 2013.

We finalized the allocation of the purchase price for BWise in the second quarter of 2013 and NOS Clearing in the third quarter of 2013. There were no adjustments to the provisional values for the above acquisitions during the three and nine months ended September 30, 2013.

Acquisition of the Index Business of Mergent, Inc., including Indxis

In December 2012, we acquired the index business of Mergent, Inc., including Indxis, for $15 million in cash. The $5 million in intangible assets, $9 million in goodwill and $1 million in net assets resulting from this acquisition are included in our Index Licensing and Services business within our Information Services segment.

Pro Forma Results and Acquisition-related Costs

Pro forma financial results for the acquisitions completed in 2013 and 2012 have not been presented since these acquisitions both individually and in the aggregate were not material to our financial results.

Acquisition-related costs for the transactions described above were expensed as incurred and are included in merger and strategic initiatives expense in the Condensed Consolidated Statements of Income.

2012 Divestiture

In August 2012, we sold our majority-owned subsidiary International Derivatives Clearing Group, LLC, or IDCG, to LCH Clearnet Group Limited, or LCH. Under the terms of the transaction, NASDAQ OMX received ordinary shares of LCH valued at 19 Euros per share, resulting in NASDAQ OMX having a 3.7% pro forma ownership in LCH at that time. We recorded a $14 million loss, which is included in loss on divestiture of business in the Condensed Consolidated Statements of Income for the quarter and first nine months ended September 30, 2012. IDCG was part of our U.S. derivative trading and clearing business within our Market Services segment.

Table Of Contents

5. Goodwill and Purchased Intangible Assets

Goodwill

In connection with the change in reportable segments discussed in Note 16, "Business Segments," we reallocated the goodwill that existed as of December 31, 2012 to our new reporting units on a relative fair value basis.

The following table presents the changes in goodwill by business segment during the nine months ended September 30, 2013:

	Market Services	Listing Services	Information Services	Technology Solutions	Total
	(in millions)				
Balance at December 31, 2012	$ 2,955	$ 136	$ 1,964	$ 280	$ 5,335
Goodwill acquired	470	-	49	312	831
Foreign currency translation adjustment	14	1	8	2	25
Balance at September 30, 2013	$ 3,439	$ 137	$ 2,021	$ 594	$ 6,191

As of September 30, 2013, the amount of goodwill that is expected to be deductible for tax purposes in future periods is $895 million, of which $510 million is related to our acquisition of eSpeed and $304 million is related to our acquisition of the TR Corporate Solutions businesses.

Goodwill represents the excess of the purchase price over the value assigned to the net tangible and identifiable intangible assets of a business acquired. Goodwill is allocated to our reporting units based on the assignment of the fair values of each reporting unit of the acquired company. We perform an annual goodwill impairment test during the fourth quarter of our fiscal year using carrying amounts as of October 1. Should certain events or indicators of impairment occur between annual impairment tests, we will perform the impairment test as those events or indicators occur. We assess goodwill impairment at the reporting unit level.

During the first quarter of 2013, we performed a goodwill impairment assessment as a result of our change in reportable segments. For purposes of performing the impairment test for goodwill, our six reporting units are the Market Services segment, the Listing Services segment, the two businesses comprising the Information Services segment: Market Data Products and Index Licensing and Services, and the two businesses comprising the Technology Solutions segment: Corporate Solutions and Market Technology. We allocated goodwill to each reporting unit based on its relative fair value. We then compared the fair value of the reporting units to the reporting units' carrying amount and determined that goodwill was not impaired since the fair values of each of the reporting units exceeded their carrying amounts. However, events such as economic weakness or unexpected significant declines in operating results of a reporting unit may result in goodwill impairment charges in the future.

Purchased Intangible Assets

The following table presents details of our total purchased intangible assets, both finite- and indefinite-lived:

	September 30, 2013				December 31, 2012			
	Gross Amount	Accumulated Amortization	Net Amount	Weighted-Average Useful Life (in Years)	Gross Amount	Accumulated Amortization	Net Amount	Weighted-Average Useful Life (in Years)
	(in millions)				(in millions)			
Finite-Lived Intangible Assets								
Technology	$ 40	$ (10)	$ 30	5	$ 26	$ (10)	$ 16	5
Customer relationships	1,075	(278)	797	19	871	(238)	633	21
Other	6	(3)	3	8	6	(2)	4	8
Foreign currency translation adjustment	4	-	4		6	(1)	5	
Total finite-lived intangible assets	$ 1,125	$ (291)	$ 834		$ 909	$ (251)	$ 658	
Indefinite-Lived Intangible Assets								
Exchange and clearing registrations	$ 790	$ -	$ 790		$ 790	$ -	$ 790	
Trade names	760	-	760		185	-	185	
Licenses	51	-	51		51	-	51	
Foreign currency translation adjustment	(26)	-	(26)		(34)	-	(34)	
Total indefinite-lived intangible assets	$ 1,575	$ -	$ 1,575		$ 992	$ -	$ 992	
Total intangible assets	$ 2,700	$ (291)	$ 2,409		$ 1,901	$ (251)	$ 1,650	

14

Table Of Contents

Amortization expense for purchased finite-lived intangible assets was $18 million for the three months ended September 30, 2013, $13 million for the three months ended September 30, 2012, $44 million for the nine months ended September 30, 2013, and $39 million for the nine months ended September 30, 2012.

The estimated future amortization expense (excluding the impact of foreign currency translation adjustment) of purchased finite-lived intangible assets as of September 30, 2013 is as follows:

	(in millions)
2013[1]	$ 18
2014	71
2015	69
2016	67
2017	65
2018 and thereafter	540
Total	$ 830

(1) Represents the estimated amortization to be recognized for the remaining three months of 2013.

Intangible Asset Impairment Charges

In the first quarter of 2013, we recorded non-cash intangible asset impairment charges totaling $10 million related to certain acquired intangible assets associated with customer relationships ($7 million) and a certain trade name ($3 million). These impairments resulted primarily from changes in the forecasted revenues associated with the acquired customer list of FTEN, Inc., or FTEN. The fair value of customer relationships was determined using the income approach, specifically the multi-period excess earnings method. The fair value of the trade name was determined using the income approach, specifically the RFRM. These charges are recorded in asset impairment charges in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2013. These impairment charges related to our Market Services segment. However, for segment reporting purposes, these charges were allocated to corporate items based on the decision that these charges should not be used to evaluate the segment's operating performance.

In the second quarter of 2012, we recorded non-cash intangible asset impairment charges totaling $28 million related to certain acquired finite-lived intangible assets associated with technology ($19 million), customer relationships ($6 million), and certain trade names ($3 million). These impairments resulted primarily from the replacement of certain acquired technology, as well as changes in the forecasted revenues associated with the acquired customer list of certain businesses. The fair value of technology and trademarks was determined using the income approach, specifically the RFRM. The fair value of customer relationships was determined using the income approach, specifically the multi-period excess earnings method. These charges were recorded in asset impairment charges in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2012. Of the total impairment charge recorded during the second quarter of 2012, $17 million related to our Market Services segment and $11 million related to our Technology Solutions segment. However, for segment reporting purposes, these charges were allocated to corporate items based on the decision that these charges should not be used to evaluate the segment's operating performance.

Table Of Contents

6. Investments

Trading Securities

Trading securities, which are included in financial investments, at fair value in the Condensed Consolidated Balance Sheets, were $145 million as of September 30, 2013 and $201 million as of December 31, 2012. These securities are primarily comprised of Swedish government debt securities, of which $102 million as of September 30, 2013 and $134 million as of December 31, 2012, are assets utilized to meet regulatory capital requirements primarily for our clearing operations at NASDAQ OMX Nordic Clearing.

Available-for-Sale Investment Security

Investment in DFM

Our available-for-sale investment security, which is included in financial investments, at fair value in the Condensed Consolidated Balance Sheets, represents our 1% investment in Dubai Financial Market PJSC, or DFM. The adjusted cost basis of this security was $18 million as of September 30, 2013 and December 31, 2012. The fair value of this investment was $45 million as of September 30, 2013 and $22 million as of December 31, 2012. The gross change between the adjusted cost basis and fair value as of September 30, 2013 of $27 million is reflected as an unrealized holding gain in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets.

Equity Method Investments

The carrying amounts of our equity method investments totaled $26 million as of September 30, 2013 and $13 million as of December 31, 2012 and are included in other non-current assets in the Condensed Consolidated Balance Sheets. Our equity method investments consisted primarily of our equity interests in European Multilateral Clearing Facility N.V., or EMCF, and TOM which we acquired in April 2013. See “Acquisition of Dutch Cash Equities and Equity Derivatives Trading Venue,” of Note 4, “Acquisitions and Divestiture,” for further discussion.

In July 2013, we entered into a definitive agreement to become equal shareholders in a new combined clearinghouse to be called EuroCCP. EuroCCP is expected to combine the risk management and customer service organization of EuroCCP with the technology and operations infrastructure of EMCF. Our ownership interest will be 25%. Subject to regulatory approvals, this transaction is expected to close before the end of 2013.

Income recognized from our equity interest in the earnings and losses of these equity method investments was $1 million for both the three and nine months ended September 30, 2013 and immaterial for both the three and nine months ended September 30, 2012.

In the first quarter of 2012, we recorded a non-cash, other-than-temporary impairment charge on our equity investment in EMCF of $12 million due to a decline in operations at EMCF during the three months ended March 31, 2012. This loss is included in asset impairment charges in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2012.

Cost Method Investment

The carrying amount of our cost method investment totaled $65 million as of September 30, 2013 and $37 million as of December 31, 2012 and is included in other non-current assets in the Condensed Consolidated Balance Sheets. Our cost method investment represents our ownership interest in LCH Clearnet Group Limited, or LCH, which was 5% as of September 30, 2013 and 3.7% as of December 31, 2012. The increase in our ownership interest of 1.3% was the result of our participation in LCH's capital raise in May 2013, undertaken by LCH to meet increased regulatory capital requirements. We paid $28 million in cash for this additional investment. We account for this investment as a cost method investment as we do not control and do not exercise significant influence over LCH and there is no readily determinable fair value of LCH's shares since they are not publicly traded.

7. Deferred Revenue

Deferred revenue represents cash payments received that are yet to be recognized as revenue. At September 30, 2013, we estimate that our deferred revenue, which is primarily related to Listing Services and Technology Solutions revenues, will be recognized in the following years:

	Initial Listing Revenues	Listing of Additional Shares Revenues	Annual Renewal and Other Revenues	Technology Solutions Revenues(2)	Total
	(in millions)				
Fiscal year ended:					
2013(1)	$ 3	$ 10	$ 60	$ 36	$ 109
2014	10	31	4	50	95
2015	9	20	-	29	58
2016	7	12	-	23	42
2017	5	3	-	15	23
2018 and thereafter	4	-	-	8	12
	$ 38	$ 76	$ 64	$ 161	$ 339

Table Of Contents

(1) Represents deferred revenue that is anticipated to be recognized over the remaining three months of 2013.

(2) The timing of recognition of our deferred Technology Solutions revenues is primarily dependent upon the completion of customization and any significant modifications made pursuant to existing Market Technology contracts and the timing of Corporate Solutions subscription-based contracts. As such, as it relates to Market Technology revenues, the timing represents our best estimate.

The changes in our deferred revenue during the nine months ended September 30, 2013 and 2012 are reflected in the following table.

	Initial Listing Revenues	Listing of Additional Shares Revenues	Annual Renewal and Other Revenues	Technology Solutions Revenues(2)	Total
	(in millions)				
Balance at January 1, 2013	$ 36	$ 78	$ 32	$ 149	$ 295
Additions(1)	12	28	215	156	411
Amortization(1)	(10)	(30)	(177)	(155)	(372)
Translation adjustment	-	-	(6)	11	5
Balance at September 30, 2013	$ 38	$ 76	$ 64	$ 161	$ 339
Balance at January 1, 2012	$ 39	$ 86	$ 25	$ 128	$ 278
Additions(1)	8	22	213	73	316
Amortization(1)	(11)	(29)	(170)	(65)	(275)
Translation adjustment	-	-	1	5	6
Balance at September 30, 2012	$ 36	$ 79	$ 69	$ 141	$ 325

(1) The additions and amortization for initial listing revenues, listing of additional shares revenues and annual renewal and other revenues primarily reflect revenues from our U.S. listing services business.

(2) Technology Solutions deferred revenues primarily include revenues from our Market Technology delivered client contracts in the support phase charged during the period and our Corporate Solutions subscription based contracts. For our Market Technology contracts, where customization and significant modifications to the software are made to meet the needs of our customers, total revenues, as well as costs incurred, are deferred until significant modifications are completed and delivered. Once delivered, deferred revenue and the related deferred costs are recognized over the post contract support period. For these Market Technology contracts, we have included the deferral of costs in other current assets and other non-current assets in the Condensed Consolidated Balance Sheets. The amortization of Technology Solutions deferred revenue primarily includes revenues earned from Market Technology client contracts and Corporate Solutions subscription based contracts recognized during the period.

17

Table Of Contents

8. Debt Obligations

The following table presents the changes in the carrying amount of our debt obligations during the nine months ended September 30, 2013:

	December 31, 2012	Additions	Payments, Conversions, Accretion and Other	September 30, 2013
	(in millions)			
2.50% convertible senior notes repaid August 15, 2013[1]	$ 91	$ -	$ (91)	$ -
4.00% senior unsecured notes due January 15, 2015 (net of discount)[2]	399	-	-	399
5.55% senior unsecured notes due January 15, 2020 (net of discount)[2]	598	-	-	598
5.25% senior unsecured notes due January 16, 2018 (net of discount)[2]	368	-	-	368
3.875% senior unsecured notes due June 7, 2021 (net of discount)[2]	-	782	29	811
$1.2 billion senior unsecured five-year credit facility[3]:				
$450 million senior unsecured term loan facility credit agreement due September 19, 2016 (average interest rate of 1.57% for the period January 1, 2013 through September 30, 2013)	394	-	(34)	360
$750 million revolving credit commitment due September 19, 2016 (average interest rate of 1.37% for the period January 1, 2013 through September 30, 2013)	126	120	(64)	182
Total debt obligations	1,976	902	(160)	2,718
Less current portion	(136)	-	91	(45)
Total long-term debt obligations	$ 1,840	$ 902	$ (69)	$ 2,673

(1) See “2.50% Convertible Senior Notes” below for further discussion.

(2) See “Senior Unsecured Notes” below for further discussion.

(3) See “2011 Credit Facility” below for further discussion.

2.50% Convertible Senior Notes

During the first quarter of 2008, in connection with the business combination with OMX AB, we completed the offering of $475 million aggregate principal amount of 2.50% convertible senior notes due August 15, 2013, or the

2013 Convertible Notes. We repaid the outstanding balance on the 2013 Convertible Notes in August 2013.

Interest Expense

Interest expense recognized on the 2013 Convertible Notes in the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2013 and 2012 is as follows:

	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
	(in millions)			
Components of interest expense recognized on the 2013 Convertible Notes				
Accretion of debt discount	$ -	$ 1	$ 2	$ 2
Contractual interest	-	-	1	2
Total interest expense recognized on the 2013 Convertible Notes	$ -	$ 1	$ 3	$ 4

Senior Unsecured Notes

4.00% and 5.55% Senior Unsecured Notes

In January 2010, NASDAQ OMX issued $1 billion of senior unsecured notes, or the Notes. The Notes were issued at a discount in two separate series consisting of $400 million aggregate principal amount of 4.00% senior notes due 2015, or the 2015 Notes, and $600 million aggregate principal amount of 5.55% senior notes due 2020, or the 2020 Notes. As a result of the discount, the proceeds

18

Table Of Contents

received from the issuance were less than the aggregate principal amounts. As of September 30, 2013, the balance of $399 million for the 2015 Notes and the balance of $598 million for the 2020 Notes reflect the aggregate principal amounts, less the unamortized debt discount. The unamortized debt discount will be accreted through interest expense over the life of the Notes.

The 2015 Notes pay interest semiannually at a rate of 4.00% per annum until January 15, 2015, and the 2020 Notes pay interest semiannually at a rate of 5.55% per annum until January 15, 2020. The Notes are general unsecured obligations of ours and rank equally with all of our existing and future unsubordinated obligations. The Notes are not guaranteed by any of our subsidiaries. The Notes were issued under indentures that, among other things, limit our ability to consolidate, merge or sell all or substantially all of our assets, create liens, and enter into sale and leaseback transactions.

Debt Issuance Costs

We incurred debt issuance and other costs of $8 million in connection with the issuance of the Notes. These costs, which are capitalized and included in other non-current assets in the Condensed Consolidated Balance Sheets, are being amortized over the life of the debt obligations. Amortization expense, which is recorded as additional interest expense for these costs, was immaterial for both the three months and nine months ended September 30, 2013 and 2012.

5.25% Senior Unsecured Notes

In December 2010, NASDAQ OMX issued $370 million of 5.25% senior unsecured notes due January 16, 2018, or the 2018 Notes. The 2018 Notes were issued at a discount. As a result of the discount, the proceeds received from the issuance were less than the aggregate principal amount. As of September 30, 2013, the balance of $368 million reflects the aggregate principal amount, less the unamortized debt discount. The unamortized debt discount will be accreted through interest expense over the life of the 2018 Notes.

The 2018 Notes pay interest semiannually at a rate of 5.25% per annum until January 16, 2018 and such rate may vary with NASDAQ OMX's debt rating up to a rate not to exceed 7.25%. The 2018 Notes are general unsecured obligations of ours and rank equally with all of our existing and future unsubordinated obligations. They are not guaranteed by any of our subsidiaries. The 2018 Notes were issued under indentures that among other things, limit our ability to consolidate, merge or sell all or substantially all of our assets, create liens, and enter into sale and leaseback transactions. In addition, upon a change of control triggering event (as defined in the indenture), the terms require us to repurchase all or part of each holder's notes for cash equal to 101% of the aggregate principal amount purchased plus accrued and unpaid interest, if any.

Debt Issuance Costs

We incurred debt issuance and other costs of $3 million in connection with the issuance of the 2018 Notes. These costs, which are capitalized and included in other non-current assets in the Condensed Consolidated Balance Sheets, are being amortized over the life of the debt obligations. Amortization expense, which is recorded as additional interest expense for these costs, was immaterial for both the three months and nine months ended September 30, 2013 and 2012.

3.875% Senior Unsecured Notes

In June 2013, NASDAQ OMX issued the 2021 Notes at a discount. As a result of the discount, the proceeds received from the issuance were less than the aggregate principal amount. As of September 30, 2013, the balance of $811 million reflects the aggregate principal amount, less the unamortized debt discount. The unamortized debt discount will be accreted through interest expense over the life of the 2021 Notes.

The 2021 Notes pay interest annually at a rate of 3.875% per annum until June 7, 2021 and such rate may vary with NASDAQ OMX's debt rating up to a rate not to exceed 5.875%. The 2021 Notes are general unsecured obligations of ours and rank equally with all of our existing and future unsubordinated obligations. They are not guaranteed by any of our subsidiaries. The 2021 Notes were issued under indentures that among other things, limit our ability to consolidate, merge or sell all or substantially all of our assets, create liens, and enter into sale and leaseback transactions. In addition, upon a change of control triggering event (as defined in the indenture), the terms require us to repurchase all or part of each holder's notes for cash equal to 101% of the aggregate principal amount purchased plus accrued and unpaid interest, if any.

The 2021 Notes have been designated as a hedge of our net investment in certain foreign subsidiaries to mitigate the foreign exchange risk associated with certain investments in these subsidiaries. The increase of $29 million reflects the translation of the 2021 Notes into U.S. dollars and is recorded in accumulated other comprehensive loss.

We used the majority of the net proceeds from the offering of the 2021 Notes to fund the cash consideration payable by us for the acquisition of eSpeed and related expenses. We used the remaining proceeds for general corporate purposes. See "Acquisition of eSpeed for Trading of U.S. Treasuries," of Note 4, "Acquisitions and Divestiture," for further discussion of our acquisition of eSpeed.

Table Of Contents

Debt Issuance Costs

We incurred debt issuance and other costs of $7 million in connection with the issuance of the 2021 Notes. These costs, which are capitalized and included in other non-current assets in the Condensed Consolidated Balance Sheets, are being amortized over the life of the debt obligations. Amortization expense, which is recorded as additional interest expense for these costs, was immaterial for both the three and nine months ended September 30, 2013.

Credit Facilities

2011 Credit Facility

In September 2011, NASDAQ OMX entered into a $1.2 billion senior unsecured five-year credit facility which matures on September 19, 2016, or the 2011 Credit Facility. The 2011 Credit Facility consists of a $450 million funded term loan, or the 2016 Term Loan, and a $750 million revolving credit commitment (including a swingline facility and letter of credit facility). NASDAQ OMX applied the $450 million in proceeds from the 2016 Term Loan to repay in full the remaining $450 million principal amount outstanding on our former credit facility.

In May 2013, we borrowed $50 million under the revolving credit commitment to fund part of the acquisition of the TR Corporate Solutions businesses. See “Acquisition of the Investor Relations, Public Relations and Multimedia Solutions Businesses of Thomson Reuters,” of Note 4, “Acquisitions and Divestiture,” for further discussion of our acquisition of the TR Corporate Solutions businesses. During the third quarter of 2013, we borrowed an additional $70 million under the revolving credit commitment and used the funds borrowed and cash on hand to pay down our 2013 Convertible Notes that matured in August 2013. In September 2013, we repaid $64 million of the amount drawn on the revolving credit commitment. As of September 30, 2013, availability under the revolving credit commitment was $568 million.

The loans under the 2011 Credit Facility have a variable interest rate based on either the London Interbank Offered Rate, or LIBOR, or the Federal Funds Rate, plus an applicable margin that varies with NASDAQ OMX’s debt rating.

Under the 2011 Credit Facility, we are required to pay quarterly principal payments equal to 2.50% of the original aggregate principal amount borrowed under the 2016 Term Loan. In the first nine months of 2013, we made required quarterly principal payments totaling $34 million on our 2016 Term Loan.

The 2011 Credit Facility contains financial and operating covenants. Financial covenants include an interest expense coverage ratio and a maximum leverage ratio. Operating covenants include limitations on NASDAQ OMX’s ability to incur additional indebtedness, grant liens on assets, enter into affiliate transactions and pay dividends. Our credit facilities allow us to pay cash dividends on our common stock as long as certain leverage ratios are maintained. The 2011 Credit Facility also contains customary affirmative covenants, including access to financial statements, notice of defaults and certain other material events, maintenance of business and insurance, and events of default, including cross-defaults to our material indebtedness.

NASDAQ OMX is permitted to repay borrowings under the 2011 Credit Facility at any time in whole or in part, without penalty. We are also required to repay loans outstanding under the 2011 Credit Facility with net cash proceeds from sales of property and assets of NASDAQ OMX and its subsidiaries (excluding inventory sales and other sales in the ordinary course of business) and casualty and condemnation proceeds, in each case subject to specified exceptions and thresholds.

Debt Issuance Costs

We incurred debt issuance and other costs of $5 million in connection with the entry into the 2011 Credit Facility. These costs, which are capitalized and included in other non-current assets in the Condensed Consolidated Balance Sheets, are being amortized over the life of the 2011 Credit Facility. Amortization expense, which is recorded as additional interest expense for these costs, was immaterial for both the three months ended September 30, 2013 and 2012 and was $1 million for both the nine months ended September 30, 2013 and 2012.

Other Credit Facilities

In addition to the revolving credit commitment under our 2011 Credit Facility discussed above, we have credit facilities related to our clearinghouses in order to meet liquidity and regulatory requirements. At September 30, 2013, these credit facilities, which are available in multiple currencies, primarily Swedish Krona, totaled $313 million ($220 million in available liquidity and $93 million to satisfy regulatory requirements), none of which was utilized. At December 31, 2012, these facilities totaled $310 million ($217 million in available liquidity and $93 million to satisfy regulatory requirements), none of which was utilized.

Debt Covenants

At September 30, 2013, we were in compliance with the covenants of all of our debt obligations.

Table Of Contents

9. Employee Benefits

U.S. Defined-Benefit Pension and Supplemental Executive Retirement Plans

We maintain non-contributory, defined-benefit pension plans, non-qualified supplemental executive retirement plans, or SERPs, for certain senior executives and post-retirement benefit plans for eligible employees in the U.S., collectively referred to as the NASDAQ OMX Benefit Plans.

Our pension plans and SERPs are frozen. Future service and salary for all participants do not count toward an accrual of benefits under the pension plans and SERPs.

Components of Net Periodic Benefit Cost

The following table sets forth the components of net periodic pension, SERP and post-retirement benefits costs from the NASDAQ OMX Benefit Plans recognized in compensation and benefits expense in the Condensed Consolidated Statements of Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Components of net periodic benefit cost				
Interest cost	$ 1	$ 2	$ 4	$ 5
Expected return on plan assets	(1)	(1)	(4)	(4)
Recognized net actuarial loss	1	-	3	2
Curtailment loss	-	-	1	-
Net periodic benefit cost	$ 1	$ 1	$ 4	$ 3

Non-U.S. Benefit Plans

Most employees outside the U.S. are covered by local retirement plans or by applicable social laws. Benefits under social laws are generally expensed in the periods in which the costs are incurred. These costs are included in compensation and benefits expense in the Condensed Consolidated Statements of Income and were $5 million for the three months ended September 30, 2013, $4 million for the three months ended September 30, 2012, $14 million for the nine months ended September 30, 2013, and $13 million for the nine months ended September 30, 2012.

U.S. Defined Contribution Savings Plan

We sponsor a voluntary defined contribution savings plan, or 401(k) Plan, for U.S. employees. Employees are immediately eligible to make contributions to the plan and are also eligible for an employer contribution match at an amount equal to 100.0% of the first 4.0% of eligible employee contributions. Savings plan expense included in compensation and benefits expense in the Condensed Consolidated Statements of Income was $2 million for the three months ended September 30, 2013, $1 million for the three months ended September 30, 2012, and $4 million for both the nine months ended September 30, 2013 and 2012.

We have a profit-sharing contribution feature to our 401(k) plan which allows eligible U.S. employees to receive employer retirement contributions, or ERCs, when we meet our annual corporate goals. In addition, we have a supplemental ERC for select highly compensated employees whose ERCs are limited by the annual Internal Revenue Service compensation limit. ERC expense recorded in compensation and benefits expense in the Condensed Consolidated Statements of Income was $3 million for the three months ended September 30, 2013, $1 million for the three months ended September 30, 2012, $4 million for the nine months ended September 30, 2013, and $2 million for the nine months ended September 30, 2012.

Employee Stock Purchase Plan

We have an employee stock purchase plan, or ESPP, under which approximately 3.2 million shares of our common stock have been reserved for future issuance as of September 30, 2013.

Our ESPP allows eligible U.S. and non-U.S. employees to purchase a limited number of shares of our common stock at six-month intervals, called offering periods, at 85.0% of the lower of the fair market value on the first or the last day of each offering period. The 15.0% discount given to our employees is included in compensation and benefits expense in the Condensed Consolidated Statements of Income and was $1 million for both the three months ended September 30, 2013 and 2012 and $2 million for both the nine months ended September 30, 2013 and 2012.

Table Of Contents

10. Share-Based Compensation

We have a share-based compensation program that provides our board of directors broad discretion in creating employee equity incentives. Share-based awards, or equity awards, granted under this program include stock options, restricted stock (consisting of restricted stock units), and performance share units, or PSUs. Grants of equity awards are designed to reward employees for their long-term contributions and provide incentives for them to remain with us. For accounting purposes, we consider PSUs to be a form of restricted stock.

Restricted stock is generally time-based and vests over three- to five-year periods beginning on the date of the grant. Stock options are also generally time-based and expire ten years from the grant date. Stock option and restricted stock awards generally include performance-based accelerated vesting features based on achievement of specific levels of corporate performance. If NASDAQ OMX exceeds the applicable performance parameters, the grants vest on the third anniversary of the grant date, if NASDAQ OMX meets the applicable performance parameters, the grants vest on the fourth anniversary of the grant date, and if NASDAQ OMX does not meet the applicable performance parameters, the grants vest on the fifth anniversary of the grant date.

PSUs are based on performance measures that impact the amount of shares that each recipient will receive upon vesting. PSUs are granted at the fair market value of our stock on the grant date and compensation cost is recognized over the performance period and, in certain cases, an additional vesting period. For each grant of PSUs, an employee may receive from 0% to 150% of the target amount granted, depending on the achievement of performance measures. We report the target number of PSUs granted, unless we have determined that it is more likely than not, based on the actual achievement of performance measures, that an employee will receive a different amount of shares underlying the PSUs, in which case we report the amount of shares the employee is likely to receive.

We also have a performance-based long-term incentive program for our chief executive officer, executive vice presidents and senior vice presidents that focuses on total shareholder return, or TSR. This program represents 100% of our chief executive officer’s and executive vice presidents’ long-term stock-based compensation and 50% of our senior vice presidents’ long-term stock-based compensation. Under the program, each individual receives PSUs with a three-year cumulative performance period and vest at the end of the performance period. Performance will be determined by comparing NASDAQ OMX’s TSR to two peer groups, each weighted 50%. The first peer group consists of exchange companies, and the second peer group consists of all companies in the Standard & Poor 500 Index. NASDAQ OMX’s relative performance ranking against each of these groups will determine the final number of shares delivered to each individual under the program. The payout under this program will be between 0% and 200% of the number of PSUs granted and will be determined by NASDAQ OMX’s overall performance against both peer groups. However, if NASDAQ OMX’s TSR is negative for the three-year performance period, regardless of TSR ranking, the payout will not exceed 100% of the number of PSUs granted. We estimate the fair value of PSU’s granted under the TSR program using the Monte Carlo simulation model, as these awards contain a market condition. The following weighted-average assumptions were used to determine the weighted-average fair values of the PSU awards granted under the TSR program for the nine months ended September 30, 2013 and 2012:

	Nine Months Ended September 30,	
	2013	2012

Weighted-average risk free interest rate	0.45%	0.34%
Expected volatility[1]	31.4%	32.9%
Weighted-average fair value at grant date	$ 43.81	$ 22.50

(1) We use historic volatility for PSU awards issued under the TSR program, as implied volatility cannot be used when simulating multivariate prices for companies in the S&P 500.

Summary of 2013 Equity Awards

In July 2013, we granted restricted stock to most active employees. The restricted stock granted included a performance-based accelerated vesting feature based on achievement of specific levels of corporate performance, as described above.

Also in July 2013, certain executive officers received grants of 800,425 PSUs. Of these PSUs granted, 531,187 units are subject to the performance measures and vesting schedules of the TSR program as discussed above, and the remaining 269,238 units are subject to a one year performance period and generally vest ratably on an annual basis on December 31, 2014 through December 31, 2016.

Common Shares Available Under Our Equity Plan

As of September 30, 2013, we had approximately 2.6 million shares of common stock authorized for future issuance under our Equity Plan.

Table Of Contents

Summary of Share-Based Compensation Expense

The following table shows the total share-based compensation expense resulting from equity awards and the 15.0% discount for the ESPP for the three and nine months ended September 30, 2013 and 2012 in the Condensed Consolidated Statements of Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Share-based compensation expense before income taxes	$ 14	$ 12	$ 32	$ 34
Income tax benefit	(6)	(5)	(13)	(14)
Share-based compensation expense after income taxes	$ 8	$ 7	$ 19	$ 20

We estimated the fair value of stock option awards using the Black-Scholes valuation model. No stock option awards were granted during the three and nine months ended September 30, 2013 or 2012.

Summary of Stock Option Activity

A summary of stock option activity for the nine months ended September 30, 2013 is as follows:

	Number of Stock Options[(1)]	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
			(in years)	

				(in millions)
Outstanding at January 1, 2013	7,545,777	$ 21.10	5.0	$ 45
Exercised	1,730,647	10.25		
Forfeited or expired	161,492	25.15		
Outstanding at September 30, 2013	5,653,638	$ 24.29	4.9	$ 50
Exercisable at September 30, 2013	3,765,289	$ 25.06	4.0	$ 32

(1) No stock option awards were granted during the three and nine months ended September 30, 2013.

We received net cash proceeds of $2 million from the exercise of 171,458 stock options for the three months ended September 30, 2013 and received net cash proceeds of $18 million from the exercise of 1,730,647 stock options for the nine months ended September 30, 2013. We received net cash proceeds of $1 million from the exercise of 159,282 stock options for the three months ended September 30, 2012 and received net cash proceeds of $3 million from the exercise of 318,406 stock options for the nine months ended September 30, 2012. We present excess tax benefits from the exercise of stock options, if any, as financing cash flows.

The aggregate intrinsic value in the above table represents the total pre-tax intrinsic value (i.e., the difference between our closing stock price on September 30, 2013 of $32.11 and the exercise price, times the number of shares) based on stock options with an exercise price less than NASDAQ OMX’s closing price of $32.11 as of September 30, 2013, which would have been received by the option holders had the option holders exercised their stock options on that date. This amount can change based on the fair market value of our common stock. The total number of in-the-money stock options exercisable as of September 30, 2013 was 2.5 million.

As of September 30, 2012, 5.7 million outstanding stock options were exercisable and the weighted-average exercise price was $15.47.

Total fair value of stock options vested was immaterial for the three and nine months ended September 30, 2013 and $1 million for the three and nine months ended September 30, 2012. The total pre-tax intrinsic value of stock options exercised was $3 million for the three months ended September 30, 2013, $2 million for the three months ended September 30, 2012, $36 million for the nine months ended September 30, 2013 and $5 million for the nine months ended September 30, 2012.

At September 30, 2013, $2 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.0 year.

Summary of Restricted Stock and PSU Activity

Table Of Contents

The following table summarizes our restricted stock and PSU activity for the nine months ended September 30, 2013:

	Restricted Stock		PSUs	
	Number of Awards	Weighted-Average Grant Date Fair Value	Number of Awards	Weighted-Average Grant Date Fair Value
Unvested balances at January 1, 2013	3,204,188	$ 23.20	1,879,799	$ 23.14
Granted	1,179,692 (1)	32.69	828,453 (2)	39.68
Vested	(246,246)	23.70	(89,368)	19.77
Forfeited	(232,753)	24.00	(115,788)	22.59
Unvested balances at September 30, 2013	3,904,881	$ 25.96	2,503,096	$ 28.76

(1) Primarily reflects our company-wide equity grant issued in July 2013, as discussed above.

(2) PSUs granted in 2013 primarily reflect awards issued to certain officers, as described above.

At September 30, 2013, $93 million of total unrecognized compensation cost related to restricted stock and PSUs is expected to be recognized over a weighted-average period of 1.8 years.

11. NASDAQ OMX Stockholders' Equity

Common Stock

At September 30, 2013, 300,000,000 shares of our common stock were authorized, 213,426,908 shares were issued and 167,405,199 shares were outstanding. The holders of common stock are entitled to one vote per share, except that our certificate of incorporation limits the ability of any person to vote in excess of 5.0% of the then-outstanding shares of NASDAQ OMX common stock. This limitation does not apply to persons exempted from this limitation by our board of directors prior to the time such person owns more than 5.0% of the then-outstanding shares of NASDAQ OMX common stock.

Common Stock in Treasury, at Cost

We account for the purchase of treasury stock under the cost method with the shares of stock repurchased reflected as a reduction to NASDAQ OMX stockholders' equity and included in common stock in treasury, at cost in the Condensed Consolidated Balance Sheets. When treasury shares are reissued, they are recorded at the average cost of the treasury shares acquired. We held 46,021,709 shares of common stock in treasury as of September 30, 2013 and 47,821,070 shares as of December 31, 2012.

Share Repurchase Program

In the third quarter of 2012, our board of directors authorized the repurchase of up to $300 million of our outstanding common stock. These purchases may be made from time to time at prevailing market prices in open market purchases, privately-negotiated transactions, block purchase techniques or otherwise, as determined by our management. The purchases are funded from existing cash balances. The share repurchase program may be suspended, modified or discontinued at any time. In April 2013, we announced that the share repurchase program is temporarily suspended.

During the first nine months of 2013, we repurchased 321,000 shares of our common stock at an average price of $31.12, for an aggregate purchase price of $10 million. The shares repurchased under the share repurchase program are available for general corporate purposes. As of September 30, 2013, the remaining amount authorized for share repurchases under the program was $215 million.

Other Repurchases of Common Stock

During the nine months ended September 30, 2013, we repurchased 121,425 shares of our common stock in settlement of employee tax withholding obligations due upon the vesting of restricted stock.

Table Of Contents

Preferred Stock

Our certificate of incorporation authorizes the issuance of 30,000,000 shares of preferred stock, par value $0.01 per share, issuable from time to time in one or more series. At September 30, 2013 and December 31, 2012, 1,600,000 shares of series A convertible preferred stock were issued and none were outstanding.

Cash Dividends on Common Stock

During the nine months ended September 30, 2013, our board of directors declared the following cash dividends:

Declaration Date	Dividend Per Common Share	Record Date	Total Amount[1] (in millions)	Payment Date
January 31, 2013	$ 0.13	March 14, 2013	$ 21	March 28, 2013
April 24, 2013	$ 0.13	June 14, 2013	$ 22	June 28, 2013
July 24, 2013	$ 0.13	September 13, 2013	$ 22	September 27, 2013

(1) This amount was recorded in retained earnings in the Condensed Consolidated Balance Sheets at September 30, 2013.

In October 2013, the board of directors declared a regular quarterly cash dividend of $0.13 per share on our outstanding common stock. The dividend is payable on December 27, 2013 to shareholders of record at the close of business on December 13, 2013. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by the board of directors.

12. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,	Nine Months Ended September 30,

	2013	2012	2013	2012
	(in millions, except share and per share amounts)			
Numerator:				
Net income attributable to common shareholders	$ 113	$ 89	$ 244	$ 266
Denominator:				
Weighted-average common shares outstanding for basic earnings per share	167,337,700	166,235,266	166,476,927	169,516,767
Weighted-average effect of dilutive securities:				
Employee equity awards	3,773,791	4,284,300	3,854,863	3,970,984
Contingent issuance of common stock(1)	992,247	-	330,749	-
3.75% convertible notes(2)	-	-	-	20,891
Weighted-average common shares outstanding for diluted earnings per share	172,103,738	170,519,566	170,662,539	173,508,642
Basic and diluted earnings per share:				
Basic earnings per share	$ 0.68	$ 0.53	$ 1.46	$ 1.57
Diluted earnings per share	$ 0.66	$ 0.52	$ 1.43	$ 1.53

(1) See “Acquisition of eSpeed for Trading of U.S. Treasuries,” of Note 4, “Acquisitions and Divestiture,” for further discussion.

(2) In June 2012, the remaining $0.5 million of our 3.75% convertible notes outstanding was converted into 34,482 shares of common stock in accordance with the terms of the notes.

Stock options to purchase 5,653,638 shares of common stock and 6,407,977 shares of restricted stock and PSUs were outstanding at September 30, 2013. For the three months ended September 30, 2013, we included 4,397,210 of the outstanding stock options and 4,826,614 shares of restricted stock and PSUs in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. For the nine months ended September 30, 2013, we included 4,397,210 of the outstanding stock options and 4,567,960 shares of restricted stock and PSU’s in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. The remaining stock options and shares of restricted stock and PSUs are antidilutive, and as such, they were properly excluded.

Table Of Contents

Stock options to purchase 9,299,981 shares of common stock and 6,268,114 shares of restricted stock and PSUs were outstanding at September 30, 2012. For the three months ended September 30, 2012, we included 6,048,811of the outstanding stock options and 6,205,162 shares of restricted stock and PSUs in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. For the nine months ended September 30, 2012, we included 6,047,125 of the outstanding stock options and 5,066,223 shares of restricted stock and PSUs in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. The remaining stock options and shares of restricted stock and PSUs are antidilutive, and as such, they were properly excluded.

The 3.75% convertible notes were accounted for under the if-converted method, as we previously had settled the convertible notes in shares of our common stock. For the nine months ended September 30, 2012, all of the shares underlying the outstanding 3.75% convertible notes were included in the computation of diluted earnings per share on a weighted-average basis, as their inclusion was dilutive.

13. Fair Value of Financial Instruments

Fair Value Measurement—Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants at the measurement date. Fair value measurement establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect NASDAQ OMX’s market assumptions. These two types of inputs create the following fair value hierarchy:

•Level 1—Quoted prices for identical instruments in active markets.

•Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

•Level 3—Instruments whose significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

The following table presents for each of the above hierarchy levels, our financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2013 and December 31, 2012.

	September 30, 2013			
	Total	Level 1	Level 2	Level 3
	(in millions)			

	Total	Level 1	Level 2	Level 3
Financial Assets Measured at Fair Value on a Recurring Basis				
Financial investments, at fair value(1)	$ 190	$ 190	$ -	$ -
Default fund and margin deposit investments(2)	1,910	681	1,229	-
Total	$ 2,100	$ 871	$ 1,229	$ -

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Financial Assets Measured at Fair Value on a Recurring Basis				
Financial investments, at fair value(1)	$ 223	$ 223	$ -	$ -
Default fund and margin deposit investments(2)	175	175	-	-
Total	$ 398	$ 398	$ -	$ -

(1)Primarily comprised of trading securities, mainly Swedish government debt securities, of $145 million as of September 30, 2013 and $201 million as of December 31, 2012. Of these securities, $102 million as of September 30, 2013 and $134 million as of December 31, 2012 are assets utilized to meet regulatory capital requirements primarily for clearing operations at NASDAQ OMX Nordic Clearing. This balance also includes our available-for-sale investment security in DFM valued at $45 million as of September 30, 2013 and $22 million as of December 31, 2012. See Note 6, “Investments,” for further discussion of our trading investment securities and available-for-sale investment security.

(2)Default fund and margin deposit investments include cash contributions invested by NASDAQ OMX Nordic Clearing, in accordance with its investment policy, either in highly rated government debt securities or reverse repurchase agreements with highly rated government debt securities as collateral. Of the total balance of $1,934 million recorded in the Condensed

Table Of Contents

Consolidated Balance Sheets as of September 30, 2013, $1,229 million of cash contributions have been invested in reverse repurchase agreements and $681 million of cash contributions have been invested in highly rated government debt securities and term deposits. The remainder of this balance is held in cash. As of December 31, 2012, $175 million of cash contributions were invested in highly rated government debt securities. See Note 14, "Clearing Operations," for further discussion of default fund contributions and margin deposits.

Financial Instruments Not Measured at Fair Value on a Recurring Basis

Some of our financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, restricted cash, receivables, net, certain other current assets, non-current restricted cash, accounts payable and accrued expenses, Section 31 fees payable to SEC, accrued personnel costs, and certain other current liabilities.

In addition, our investment in LCH is carried at cost. See "Cost Method Investments," of Note 6, "Investments," for further discussion.

We also consider our debt obligations to be financial instruments. The fair value of our debt, utilizing discounted cash flow analyses for our floating rate debt and prevailing market rates for our fixed rate debt, was $2.8 billion at September 30, 2013 and $2.1 billion at December 31, 2012. The discounted cash flow analyses are based on borrowing rates currently available to us for debt with similar terms and maturities. Our fixed rate and our floating rate debt are categorized as level 2 in the fair value hierarchy. For further discussion of our debt obligations, see Note 8, "Debt Obligations."

14. Clearing Operations

Nordic Clearing

NASDAQ OMX Nordic Clearing is authorized and supervised as a European multi-asset clearinghouse by the Swedish Financial Supervisory Authority, or SFSA, and is authorized to conduct clearing operations in Norway by the Norwegian Ministry of Finance. The clearinghouse acts as the central counterparty, or CCP, for exchange and OTC trades in equity derivatives, fixed income derivatives, physical power, power derivatives, carbon derivatives, and resale and repurchase contracts.

Through our clearing operations in the financial markets, which include the resale and repurchase market, and the commodities markets, NASDAQ OMX Nordic Clearing is the legal counterparty for, and guarantees the fulfillment of, each contract cleared. These contracts are not used by NASDAQ OMX Nordic Clearing for the purpose of trading on its own behalf. As the legal counterparty of each transaction, NASDAQ OMX Nordic Clearing bears the counterparty risk between the purchaser and seller in the contract. In its guarantor role, NASDAQ OMX Nordic Clearing has precisely equal and offsetting claims to and from clearing members on opposite sides of each contract, standing as an intermediary on every contract cleared. In accordance with the rules and regulations of NASDAQ OMX Nordic Clearing, clearing members' open positions are aggregated to create a single portfolio for which default fund and margin collateral requirements are calculated. See "Default Fund Contributions and Margin Deposits" below for further discussion of NASDAQ OMX Nordic Clearing's default fund and margin requirements.

NASDAQ OMX Nordic Clearing maintains three member sponsored default funds: one related to financial markets, one related to commodities markets, and a mutualized fund. Under this structure, NASDAQ OMX Nordic Clearing and its clearing members must contribute to the total regulatory capital related to the clearing operations of NASDAQ OMX Nordic Clearing. This structure applies an initial separation of default fund contributions for the financial and commodities markets in order to create a buffer for each market's counterparty risks. Simultaneously, a mutualized default fund provides capital efficiencies to NASDAQ OMX Nordic Clearing with regard to total regulatory capital required. See "Default Fund Contributions" below for further discussion of NASDAQ OMX Nordic Clearing's default fund. Power of assessment and a liability waterfall have also been implemented. See "Power of Assessment" and "Liability Waterfall" below for further discussion. These requirements ensure the alignment of risk between NASDAQ OMX Nordic Clearing and its clearing members.

Default Fund Contributions and Margin Deposits

As of September 30, 2013, clearing member default fund contributions and margin deposits were as follows:

	September 30, 2013		
	Cash Contributions (1)	Non-Cash Contributions (2)	Total Contributions
	(in millions)		
Default fund contributions	$ 239	$ 75	$ 314
Margin deposits	1,695	9,479	11,174
Total	$ 1,934	$ 9,554	$ 11,488

(1)As of September 30, 2013, in accordance with its investment policy, NASDAQ OMX Nordic Clearing has invested cash contributions of $1,229 million in reverse repurchase agreements and $663 million in highly rated government debt securities. The remainder of this balance is held in cash and term deposits.

Table Of Contents

(2)Pursuant to clearing member agreements, we pay interest on cash contributions to clearing members.

Default Fund Contributions

Contributions made to the default funds are proportional to the exposures of each clearing member. When a clearing member is active in both the financial and commodities markets, contributions must be made to both markets' default funds. Clearing members' eligible contributions may include cash and non-cash contributions. Cash contributions received are invested by NASDAQ OMX Nordic Clearing, in accordance with its investment policy, either in highly rated government debt securities or reverse repurchase agreements with highly rated government debt securities as collateral. Clearing members' cash contributions are included in default funds and margin deposits in the Condensed Consolidated Balance Sheets as both a current asset and a current liability. Non-cash contributions include highly rated government debt securities that must meet specific criteria approved by NASDAQ OMX Nordic Clearing. Non-cash contributions are pledged assets that are not recorded in the Condensed Consolidated Balance Sheets as NASDAQ OMX Nordic Clearing does not take legal ownership of these assets and the risks and rewards remain with the clearing members. These balances may fluctuate over time due to changes in the amount of deposits required and whether members choose to provide cash or non-cash contributions. Assets pledged are held at a nominee account in NASDAQ OMX Nordic Clearing's name for the benefit of the clearing members and are immediately accessible by NASDAQ OMX Nordic Clearing in the event of a default. In addition to clearing members' required contributions to the default funds, NASDAQ OMX Nordic Clearing is also required to contribute capital to the default funds and overall regulatory capital as specified under its clearinghouse rules. As of September 30, 2013, NASDAQ OMX Nordic Clearing committed capital totaling $57 million to the member sponsored default funds and overall regulatory capital, in the form of government debt securities, which are recorded as financial investments, at fair value in the Condensed Consolidated Balance Sheets. The combined regulatory capital of the clearing members and NASDAQ OMX Nordic Clearing will serve to secure the obligations of a clearing member and may be used to cover losses sustained by a clearing member in the event of a default.

Other Capital Contributions by NASDAQ OMX Nordic Clearing

NASDAQ OMX Nordic Clearing maintains a $93 million credit facility which may be utilized in certain situations to satisfy regulatory requirements, none of which was utilized as of September 30, 2013.

Margin Deposits

NASDAQ OMX Nordic Clearing requires all clearing members to provide collateral, which may consist of cash and non-cash contributions, to guarantee performance on the clearing members' open positions, or initial margin. In addition, clearing members must also provide collateral to cover the daily margin call as needed, which is in addition to the initial margin. See "Default Fund Contributions" above for further discussion of cash and non-cash contributions.

In April 2013, NASDAQ OMX Nordic Clearing implemented a new collateral management process. With the implementation of this new process, NASDAQ OMX Nordic Clearing now maintains and manages all cash deposits related to margin collateral. Since all risks and rewards of collateral ownership, including interest, belong to NASDAQ OMX Nordic Clearing, these cash deposits are recorded in default funds and margin deposits in the Condensed Consolidated Balance Sheets as both a current asset and current liability. Prior to the implementation of the new collateral management process, all collateral was maintained at a third-party custodian bank for the benefit of the clearing members and was immediately accessible by NASDAQ OMX Nordic Clearing in the event of a default. The pledged margin collateral was not recorded in our Condensed Consolidated Balance Sheets as all risks and rewards of collateral ownership, including interest, belonged to the counterparty. Assets pledged are held at a nominee account in NASDAQ OMX Nordic Clearing's name for the benefit of the clearing members and are immediately accessible by NASDAQ OMX Nordic Clearing in the event of a default.

NASDAQ OMX Nordic Clearing marks to market all outstanding contracts at least daily, requiring payment from clearing members whose positions have lost value and making payments to clearing members whose positions have gained value. The mark-to-market process helps identify any clearing members that may not be able to satisfy their financial obligations in a timely manner allowing NASDAQ OMX Nordic Clearing the ability to mitigate the risk of a clearing member defaulting due to exceptionally large losses. In the event of a default, NASDAQ OMX Nordic Clearing can access the defaulting member's margin deposits to cover the defaulting member's losses.

Regulatory Capital and Risk Management Calculations

NASDAQ OMX Nordic Clearing manages risk through a comprehensive counterparty risk management framework, which is comprised of policies, procedures, standards and resources. The level of regulatory capital is determined in accordance with NASDAQ OMX Nordic Clearing's regulatory capital policy, as approved by the SFSA. Regulatory capital calculations are continuously updated through a proprietary capital-at-risk calculation model that establishes the appropriate level of capital.

As mentioned above, NASDAQ OMX Nordic Clearing is the legal counterparty for each contract traded and thereby guarantees the fulfillment of each contract. NASDAQ OMX Nordic Clearing accounts for this guarantee as a performance guarantee. We determine the fair value of the performance guarantee by considering daily settlement of contracts and other margining and default

Table Of Contents

fund requirements, the risk management program, historical evidence of default payments, and the estimated probability of potential default payouts. The calculation is determined using proprietary risk management software that simulates gains and losses based on historical market prices, extreme but plausible market scenarios, volatility and other factors present at that point in time for those particular unsettled contracts. Based on this analysis, the estimated liability was nominal and no liability was recorded as of September 30, 2013.

The market value of derivative contracts outstanding prior to netting was as follows:

	September 30, 2013 (in millions)
Commodity forwards and options(1)(2)	$ 769
Fixed-income options and futures(2)(3)	297
Stock options and futures(2)(3)	125
Index options and futures(2)(3)	168
Total	$ 1,359

(1)We determined the fair value of our forward contracts using standard valuation models that were based on market-based observable inputs including LIBOR rates and the spot price of the underlying instrument.

(2)We determined the fair value of our option contracts using standard valuation models that were based on market-based observable inputs including implied volatility, interest rates and the spot price of the underlying instrument.

(3)We determined the fair value of our futures contracts based upon quoted market prices and average quoted market yields.

The total number of derivative contracts cleared through NASDAQ OMX Nordic Clearing for the nine months ended September 30, 2013 and 2012 was as follows:

	September 30, 2013	September 30, 2012
Commodity forwards and options(1)	624,714	644,589

Fixed-income options and futures	21,131,906	26,586,488
Stock options and futures	23,200,139	21,735,025
Index options and futures	29,892,938	32,833,238
Total	74,849,697	81,799,340

(1)The total volume in cleared power related to commodity contracts was 1,247 Terawatt hours (TWh) for the nine months ended September 30, 2013 and 1,250 TWh for the nine months ended September 30, 2012.

The outstanding contract value of resale and repurchase agreements was $5.6 billion as of September 30, 2013 and $4.7 billion as of September 30, 2012. The total number of contracts cleared was 3,428,514 for the nine months ended September 30, 2013 and was 2,722,313 for the nine months ended September 30, 2012.

Power of Assessment

To further strengthen the contingent financial resources of the clearinghouse, NASDAQ OMX Nordic Clearing has power of assessment that provides the ability to collect additional funds from its clearing members to cover a defaulting member's remaining obligations up to the limits established under the terms of the clearinghouse rules. The power of assessment corresponds to 100% of the clearing member's aggregate contribution to the financial market's and commodities market's default funds.

Liability Waterfall

The liability waterfall is the priority order in which the capital resources would be utilized in the event of a default where the defaulting clearing member's collateral would not be sufficient to cover the cost to settle its portfolio. If a default occurs and the defaulting clearing member's collateral, including cash deposits and pledged assets, is depleted, then capital is utilized in the following amount and order:

•junior capital contributed by NASDAQ OMX Nordic Clearing, which totaled $22 million at September 30, 2013;

•a loss sharing pool related only to the financial market that is contributed to by clearing members and only applies if the defaulting member's portfolio includes interest rate swap products;

•specific market default fund where the loss occurred, either financial or commodities market, which includes capital contributions of both the clearing members and NASDAQ OMX Nordic Clearing on a pro-rata basis;

•senior capital contributed by NASDAQ OMX Nordic Clearing, calculated in accordance with clearinghouse rules to be $28 million at September 30, 2013; and

•mutualized default fund, which includes capital contributions of both the clearing members and NASDAQ OMX Nordic Clearing on a pro-rata basis.

If additional funds are needed after utilization of the mutualized default fund, then NASDAQ OMX Nordic Clearing will utilize its power of assessment and additional capital contributions will be required by non-defaulting members up to the limits established under the terms of the clearinghouse rules.

NOS Clearing

NOS Clearing is a leading Norway-based clearinghouse primarily for OTC traded derivatives for the freight market and seafood derivative market. NOS Clearing acts as a CCP with a clearinghouse license from the Norwegian Ministry of Finance and is under supervision of the Financial Supervisory Authority of Norway.

Through its clearing operations, NOS Clearing is the legal counterparty for, and guarantees the fulfillment of, each contract cleared. These contracts are not used by NOS Clearing for the purpose of trading on its own behalf. As the legal counterparty of each transaction, NOS Clearing bears the counterparty risk between the purchaser and seller in the contract. In its guarantor role, NOS Clearing has precisely equal and offsetting claims to and from clearing members on opposite sides of each contract, standing as an intermediary on every contract cleared. In accordance with the rules and regulations of NOS Clearing, clearing members' open positions are aggregated to create a single portfolio for which margin collateral requirements are calculated. As of September 30, 2013, the market value of derivative contracts outstanding, prior to netting, was $75 million. The total number of derivative contracts cleared through NOS Clearing was 1,594,558 for the nine months ended September 30, 2013.

NOS Clearing has implemented member sponsored default funds for its markets. Under this structure, NOS Clearing and its clearing members must contribute to the total regulatory capital related to the clearing operations of NOS Clearing. A liability waterfall has also been implemented, which helps to ensure the alignment of risk between NOS Clearing and its clearing members in the event of default.

As of September 30, 2013, NOS Clearing committed capital to the default funds in the form of cash totaling $42 million. This committed capital is reflected as restricted cash in the Condensed Consolidated Balance Sheets. Clearing members' pledged default fund contributions and margin collateral totaled $569 million as of September 30, 2013 and is not recorded in our Condensed Consolidated Balance Sheets as all risks and rewards of collateral ownership, including interest, belong to the counterparty.

U.S. Clearing

In the third quarter of 2013, NASDAQ OMX Commodities Clearing Company, or NOCC, entered into a strategic alliance with Natural Gas Exchange Inc., or NGX. Together NGX and NOCC provides a premier solution for transacting in physical energy in the U.S., helping customers maximize collateral efficiency and enabling increased transparency and market liquidity. NGX offers trading and clearing services for the alliance and NOCC contributes account management, product development, and scheduling resources. Since NGX is now the counterparty to all transactions and clearing arrangements, NOCC transferred all positions to NGX, returned collateral to customers, terminated its letters of credit from banks, and cancelled all contracts with customers.

Prior to the alliance with NGX, NOCC, through riskless principal trading and clearing, was the legal counterparty for each customer position traded and NOCC thereby guaranteed the fulfillment of each of its customer's transactions.

Market participants at NOCC were required to meet certain minimum financial standards to mitigate the risk that they became unable to satisfy their obligations and provided collateral to cover the daily margin call as needed. Customer pledged cash collateral held by NOCC, which was $33 million at December 31, 2012, is included in default funds and margin deposits as both a current asset and current liability in the Condensed Consolidated Balance Sheets, as the risks and rewards of collateral ownership, including interest income, belonged to NOCC. Additionally, NOCC was the beneficiary of letters of credit from banks meeting certain rating standards, which were posted on behalf of market participants in lieu of posting cash collateral. The aggregate amount of letters of credit for which NOCC was the beneficiary was $101 million at December 31, 2012.

As of December 31, 2012, NASDAQ OMX had contributed $25 million to the NOCC guarantee fund which is recorded in non-current restricted cash in the Condensed Consolidated Balance Sheets.

15. Commitments, Contingencies and Guarantees

Guarantees Issued and Credit Facilities Available

In addition to the default fund contributions and margin collateral pledged by clearing members discussed in Note 14, “Clearing Operations,” we have obtained financial guarantees and credit facilities which are guaranteed by us through counter indemnities, to provide further liquidity and default protection related to our clearing businesses. Financial guarantees issued to us totaled $18 million at September 30, 2013 and $7 million at December 31, 2012. At September 30, 2013, credit facilities, which are available in multiple currencies, primarily Swedish Krona, totaled $313 million ($220 million in available liquidity and $93 million to satisfy regulatory requirements), none of which was utilized. At December 31, 2012, these facilities totaled $310 million ($217 million in available liquidity and $93 million to satisfy regulatory requirements), none of which was utilized.

Table Of Contents

Execution Access LLC, or Execution Access, is an introducing broker which operates the eSpeed trading platform for U.S. Treasury securities. Execution Access has a clearing arrangement with Cantor Fitzgerald & Co., or Cantor Fitzgerald. As of September 30, 2013, we have contributed $19 million of clearing deposits to Cantor Fitzgerald in connection with this clearing arrangement. These deposits are recorded in other current assets in our condensed consolidated balance sheets. Some of the trading activity in Execution Access is cleared by Cantor Fitzgerald through the Fixed Income Clearing Corporation, or FICC, and the balance is cleared non-FICC. Execution Access assumes the counterparty risk of clients that do not clear through FICC. Counterparty risk of clients exists for Execution Access between the trade date and the settlement date of the individual transactions, which is one business day. All of Execution Access' obligations under the clearing arrangement with Cantor Fitzgerald are guaranteed by NASDAQ OMX. Some of the non-FICC counterparties are required to post collateral, provide principal letters, or provide other forms of credit enhancement to Execution Access for the purpose of mitigating counterparty risk.

We believe that the potential for us to be required to make payments under these arrangements is mitigated through the pledged collateral and our risk management policies. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for these arrangements.

Lease Commitments

We lease some of our office space and equipment under non-cancelable operating leases with third parties and sublease office space to third parties. Some of our lease agreements contain renewal options and escalation clauses based on increases in property taxes and building operating costs.

Other Guarantees

We have provided other guarantees of $15 million as of September 30, 2013 and $18 million at December 31, 2012. These guarantees are primarily related to obligations for our rental and leasing contracts. In addition, for certain Market Technology contracts, we have provided performance guarantees of $2 million as of September 30, 2013 and $5 million as of December 31, 2012 related to the delivery of software technology and support services. We have received financial guarantees from various financial institutions to support the above guarantees.

We believe that the potential for us to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for the above guarantees.

In connection with our acquisition of BWise, we have agreed to purchase the remaining 28% ownership interest in two separate transactions, resulting in 100% ownership by the first half of 2015. As of September 30, 2013, the estimated amount of these payments totaled $12 million. See "Acquisition of BWise," of Note 4, "Acquisitions and Divestiture," for further discussion.

In connection with the launch of NASDAQ OMX NLX, we have entered into agreements with certain members which may require us to make payments if certain financial goals are achieved. Since the amount of these payments is not currently probable and cannot be quantified as of September 30, 2013, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for these payments.

Voluntary Accommodation Program

In connection with the initial public offering by Facebook on May 18, 2012, systems issues were experienced at the opening of trading of Facebook shares. We announced a one-time program for voluntary accommodations to qualifying members of up to $62 million, for which a liability has been recorded as this program was approved by the

SEC in March 2013. This program expanded the pool available for qualified losses arising directly from the system issues.

In October 2013, NASDAQ OMX announced the completion of initial review by The Market Regulation Department of FINRA of all claims submitted by qualifying members. Thereafter, NASDAQ OMX informed claimants that FINRA would be conducting additional analysis with regard to one category of claims. The announced total value of valid submitted claims was $41.6 million, but that amount may vary based on FINRA's additional analysis. NASDAQ OMX will submit to the SEC a filing, for their review, that provides a report on the results of the analysis of FINRA. After the filing becomes effective, payment of valid claims will be made sixty (60) days following the effective date of the SEC filing.

Escrow Agreements

In connection with our acquisitions of FTEN, Glide Technologies, and the Index Business of Mergent, Inc., including Indxis, we entered into escrow agreements to secure the payments of post-closing adjustments and to ensure other closing conditions. At September 30, 2013, these escrow agreements provide for future payments of $12 million and are included in other current liabilities and other non-current liabilities in the Condensed Consolidated Balance Sheets.

Routing Brokerage Activities

Our broker-dealer subsidiaries, Nasdaq Execution Services and NASDAQ Options Services, provide guarantees to securities clearinghouses and exchanges under their standard membership agreements, which require members to guarantee the performance of

Table Of Contents

other members. If a member becomes unable to satisfy its obligations to a clearinghouse or exchange, other members would be required to meet its shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral, as well as meet certain minimum financial standards. Nasdaq Execution Services' and NASDAQ Options Services' maximum potential liability under these arrangements cannot be quantified. However, we believe that the potential for Nasdaq Execution Services and NASDAQ Options Services to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for these arrangements.

Litigation

As previously disclosed, we became a party to several legal and regulatory proceedings in 2012 relating to the Facebook IPO that occurred on May 18, 2012. We believe that the legal actions filed against NASDAQ OMX are without merit and intend to defend them vigorously.

As described in our Annual Report on Form 10-K for the year ended December 31, 2012, we are named as a defendant in a consolidated matter captioned In re Facebook, Inc., IPO Securities and Derivative Litigation, MDL No. 2389 (S.D.N.Y.). On April 30, 2013, lead plaintiffs in the consolidated matter filed a consolidated amended complaint, naming our Chief Executive Officer and our prior Chief Information Officer as new defendants in connection with their roles in the Facebook IPO. The amended complaint alleges that each violated Section 20(a) of the Securities Exchange Act of 1934, or the Act, and Rule 10b-5, promulgated under the Act.

In our Quarterly Report on Form 10-Q for the period ended March 31, 2013, we identified a demand for arbitration from a member organization seeking indemnification for alleged losses associated with the Facebook IPO. On June 18, 2013, the District Court for the Southern District of New York granted a preliminary injunction enjoining the arbitration, and the member organization has appealed the order granting the injunction to the Second Circuit Court of Appeals.

Also as previously disclosed, the staff of the SEC's Division of Enforcement conducted an investigation relating to the systems issues experienced with the Facebook IPO. On May 29, 2013, the Commission accepted our offer of settlement, resolving this matter. As part of the settlement, our subsidiaries, The NASDAQ Stock Market LLC and NASDAQ Execution Services LLC, agreed to implement several measures aimed at preventing future violations of the Act and the rules and regulations promulgated thereunder, most of which have been implemented. In addition, The NASDAQ Stock Market LLC paid a $10 million penalty to the United States Treasury.

Except as disclosed above and in prior reports filed under the Act, we are not currently a party to any litigation or proceeding that we believe could have a material adverse effect on our business, condensed consolidated financial condition, or operating results. However, from time to time, we have been threatened with, or named as a defendant in, lawsuits or involved in regulatory proceedings.

Tax Audits

We are engaged in ongoing discussions and audits with taxing authorities on various tax matters, the resolutions of which are uncertain. Currently, there are matters that may lead to assessments, some of which may not be resolved for several years. Based on currently available information, we believe we have adequately provided for any assessments that could result from those proceedings where it is more likely than not that we will be assessed. We review our positions on these matters as they progress.

16. Business Segments

Prior to January 1, 2013, we managed, operated and provided our products and services in three business segments: Market Services, Issuer Services and Market Technology. As announced in January 2013, we realigned our reportable segments as a result of changes to the organizational structure of our businesses.

Beginning on January 1, 2013, we manage, operate and provide our products and services in four business segments: Market Services, Listing Services, Information Services and Technology Solutions. All prior period segment disclosures have been recast to reflect our change in reportable segments. Certain other prior year amounts have been reclassified to conform to the current year presentation.

Our Market Services segment consists of our U.S. and European cash equity and derivative trading and clearing businesses and our Access and Broker Services business. In addition, eSpeed's electronic benchmark U.S. treasury brokerage and co-location service businesses are part of our Market Services segment. See "Acquisition of eSpeed for Trading of U.S. Treasuries," of Note 4, "Acquisitions and Divestiture," for further discussion.

Our Listing Services segment consists of our U.S. and European listing businesses, which provide services for companies listed on The NASDAQ Stock Market and our Nordic and Baltic exchanges.

Our Information Services segment includes our Market Data Products and Index Licensing and Services businesses. Our Market Data Products business sells and distributes quote and trade information to market participants and data distributers. Our Index

Table Of Contents

Licensing and Services business develops and licenses NASDAQ OMX branded indexes, associated derivatives, and financial products and also provides custom calculation services for third-party clients. In addition, eSpeed's market data business is part of our Information Services segment. See "Acquisition of eSpeed for Trading of U.S. Treasuries," of Note 4, "Acquisitions and Divestiture," for further discussion.

Our Technology Solutions segment includes our Corporate Solutions and Market Technology businesses. Our Corporate Solutions business offers companies access to innovative products and software solutions and services that ease transparency, mitigate risk, maximize board efficiency and facilitate better corporate governance. On May 31, 2013, we acquired the TR Corporate Solutions businesses. See "Acquisition of the Investor Relations, Public Relations and Multimedia Solutions Businesses of Thomson Reuters," of Note 4, "Acquisitions and Divestiture," for further discussion. Our Market Technology business is a leading global technology solutions provider and partner to exchanges, clearing organizations and central securities depositories. Our technology business is also the sales channel for our complete global offering to other marketplaces. Market Technology provides technology solutions for trading, clearing, settlement, surveillance and information dissemination for markets with wide-ranging requirements, from the leading markets in the U.S., Europe and Asia to smaller African markets. Market Technology also provides governance, risk and compliance software solutions.

Our management allocates resources, assesses performance and manages these businesses as four separate segments. We evaluate the performance of our segments based on several factors, of which the primary financial measure is operating income. Results of individual businesses are presented based on our management accounting practices and our management structure. Certain amounts are allocated to corporate items in our management reports based on the decision that those activities should not be used to evaluate the segment's operating performance. These amounts include, but are not limited to, amounts related to our voluntary accommodation program, expense related to an SEC matter, restructuring actions, mergers and strategic initiatives, long-term asset impairment, and financing activities. See below for further discussion.

The following table presents certain information regarding these operating segments for the three and nine months ended September 30, 2013 and 2012.

	Market Services	Listing Services	Information Services	Technology Solutions	Corporate Items and Eliminations	Consolidated
	(in millions)					
Three Months Ended September 30, 2013						
Total revenues	$ 499	$ 57	$ 118	$ 131	$ -	$ 805
Cost of revenues	(299)	-	-	-	-	(299)
Revenues less transaction rebates, brokerage, clearance and exchange fees	200	57	118	131	-	506
Operating income(1)	$ 85	$ 22	$ 86	$ 9	$ -	$ 202
Three Months Ended September 30, 2012						
Total revenues	$ 519	$ 55	$ 99	$ 73	$ -	$ 746

Cost of revenues	(334)	-	-	-	-	(334)
Revenues less transaction rebates, brokerage, clearance and exchange fees	185	55	99	73	-	412
Operating income (loss)(2)	$ 80	$ 23	$ 72	$ 6	$ (11)	$ 170
Nine Months Ended September 30, 2013						
Total revenues	$ 1,559	$ 170	$ 333	$ 300	$ -	$ 2,362
Cost of revenues	(987)	-	-	-	-	(987)
Revenues less transaction rebates, brokerage, clearance and exchange fees	572	170	333	300	-	1,375
Operating income (loss)(3)	$ 234	$ 69	$ 246	$ 18	$ (117)	$ 450
Nine Months Ended September 30, 2012						
Total revenues	$ 1,686	$ 166	$ 307	$ 206	$ -	$ 2,365
Cost of revenues	(1,112)	-	-	-	-	(1,112)
Revenues less transaction rebates, brokerage, clearance and exchange fees	574	166	307	206	-	1,253
Operating income (loss)(4)	$ 240	$ 68	$ 225	$ 14	$ (31)	$ 516

(1) Corporate items and eliminations for the three months ended September 30, 2013 primarily include merger and strategic initiatives expenses including $8 million of costs primarily related to the acquisitions of eSpeed and the TR Corporate Solutions

Table Of Contents

businesses. These amounts were offset by the remeasurement of a contingent purchase price liability related to the BWise acquisition due to changes in the anticipated performance of BWise.

(2) Corporate items and eliminations for the three months ended September 30, 2012 primarily include restructuring charges, special legal expenses related to our voluntary accommodation program and other expenses related to the systems issues experienced at the time of the Facebook IPO, and a net gain on merger and strategic initiatives.

(3) Corporate items and eliminations for the nine months ended September 30, 2013 primarily include expenses related to our voluntary accommodation program, merger and strategic initiatives expense, expense related to an SEC matter, restructuring charges, and special legal expenses.

(4) Corporate items and eliminations for the nine months ended September 30, 2012 primarily include restructuring charges and special legal expenses, partially offset by income from open positions relating to operations of the exchange.

In connection with our change in reportable segments, total assets as of December 31, 2012 have been recast as presented in the following table.

	Market Services	Listing Services	Information Services	Technology Solutions	Corporate Items and Eliminations	Consolidated
	(in millions)					
Total assets at September 30, 2013	$ 7,879	$ 279	$ 2,591	$ 1,081	$ 656	$ 12,486
Total assets at December 31, 2012	4,981	254	2,456	625	816	9,132

The increase in total assets for Market Services reflects an increase in goodwill and intangible assets associated with the acquisition of eSpeed as well as an increase in default funds and margin deposits, which reflects NASDAQ OMX Nordic's implementation of a new collateral management process in the second quarter of 2013. The increase in Technology Solutions reflects an increase in goodwill and intangible assets associated with the acquisition of the TR Corporate Solutions businesses.

For further discussion of our segments' results, see "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Operating Results."

17. Subsequent Event

In October 2013, NASDAQ OMX announced the completion of initial review by The Market Regulation Department of FINRA of all claims submitted by qualifying members of The NASDAQ Stock Market for qualified losses arising directly from the system issues experienced with the Facebook IPO that occurred on May 18, 2012. Thereafter, NASDAQ OMX informed claimants that FINRA would be conducting additional analysis with regard to one category of claims. The announced total value of valid submitted claims was $41.6 million, but that amount may vary based on FINRA's additional analysis. NASDAQ OMX will submit to the SEC a filing, for their review, that provides a report on the results of the analysis of FINRA. After the filing becomes effective, payment of valid claims will be made sixty (60) days following the effective date of the SEC filing. For further discussion of our voluntary accommodation program, see "Voluntary Accommodation Program," of Note 15, "Commitments, Contingencies and Guarantees."

Table Of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the financial condition and results of operations of NASDAQ OMX should be read in conjunction with our condensed consolidated financial statements and related notes included in this Form 10-Q.

Business Overview

We are a leading global exchange group that delivers trading, clearing, exchange technology, regulatory, securities listing, and public company services across six continents. Our global offerings are diverse and include trading and clearing across multiple asset classes, market data products, financial indexes, capital formation solutions, financial services and market technology products and services. Our technology powers markets across the globe, supporting cash equity trading, derivatives trading, clearing and settlement, and many other functions.

In the U.S., we operate The NASDAQ Stock Market, a registered national securities exchange. The NASDAQ Stock Market is the largest single cash equities securities market in the U.S. in terms of listed companies and in the world in terms of share value traded. As of September 30, 2013, The NASDAQ Stock Market was home to 2,602 listed companies with a combined market capitalization of approximately $6.3 trillion. In addition, in the U.S. we operate two additional cash equities trading markets, three options markets, an electronic platform for trading U.S. Treasuries and a futures market. Prior to the third quarter of 2013, we also engaged in riskless principal trading and clearing of OTC power and gas contracts.

In Europe, we operate exchanges in Stockholm (Sweden), Copenhagen (Denmark), Helsinki (Finland), and Iceland as NASDAQ OMX Nordic, and exchanges in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania) as NASDAQ OMX Baltic. Collectively, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic offer trading in cash equities, bonds, structured products and ETFs, as well as trading and clearing of derivatives and clearing of resale and repurchase agreements. Through NASDAQ OMX First North, our Nordic and Baltic operations also offer alternative marketplaces for smaller companies. As of September 30, 2013, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, together with NASDAQ OMX First North, were home to 752 listed companies with a combined market capitalization of approximately $1.2 trillion. We also operate NASDAQ OMX Armenia.

In addition, NASDAQ OMX Commodities operates the world's largest power derivatives exchange for trading and clearing of futures in the Nordics, Germany and the U.K., one of Europe's largest carbon exchanges and, together with Nord Pool Spot, N2EX, a marketplace for physical U.K. power contracts. We also operate NOS Clearing, a leading Norway-based clearinghouse primarily for OTC traded derivatives for the freight market and seafood derivatives market and NASDAQ OMX NLX, a new London-based market for trading of listed short-term and long-term European (Euro and Sterling) interest rate derivative products.

In some of the countries where we operate exchanges, we also provide clearing, settlement and depository services.

Business Segments

Prior to January 1, 2013, we managed, operated and provided our products and services in three business segments: Market Services, Issuer Services and Market Technology. As announced in January 2013, we realigned our reportable segments as a result of changes to the organizational structure of our businesses.

Beginning on January 1, 2013, we manage, operate and provide our products and services in four business segments: Market Services, Listing Services, Information Services and Technology Solutions. All prior period segment disclosures have been recast to reflect our change in reportable segments. Certain other prior year amounts have been reclassified to conform to the current year presentation.

Our reportable segments are as follows.

Market Services

Our Market Services segment consists of our U.S. and European cash equity, fixed income and derivative trading and clearing businesses and our Access and Broker Services business. We offer trading on multiple exchanges and facilities across several asset classes, including cash equities, derivatives, debt, commodities, structured products and ETFs. In addition, in some of the countries where we operate exchanges, we also provide clearing, settlement and depository services. In addition, eSpeed's electronic benchmark U.S. treasury brokerage and co-location service businesses are part of our Market Services segment. See "Acquisition of eSpeed for Trading of U.S. Treasuries," of Note 4, "Acquisitions and Divestiture," to the condensed consolidated financial statements for further discussion.

Listing Services

Our Listing Services segment includes our U.S. and European Listing Services businesses. We offer capital raising solutions to over 3,300 companies around the globe representing approximately $7.5 trillion in total market value as of September 30, 2013.

Table Of Contents

We operate a variety of listing platforms around the world to provide multiple global capital raising solutions for private and public companies. Our main listing markets are The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic. We offer a consolidated global listing application to companies to enable them to apply for listing on The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, as well as NASDAQ Dubai.

Information Services

Our Information Services segment includes our Market Data Products and our Index Licensing and Services businesses.

Our Market Data Products business delivers historical and real-time market data to 2.5 million financial professionals and individual investors globally. In addition, eSpeed's market data business is part of our Information Services segment. See "Acquisition of eSpeed for Trading of U.S. Treasuries," of Note 4, "Acquisitions and Divestiture," to the condensed consolidated financial statements for further discussion.

Our Index Licensing and Services business has been creating innovative and transparent indexes since 1971. Today, there are over 8,000 products based on NASDAQ OMX indexes, spanning different geographies and asset classes with over $1 trillion in notional value.

Technology Solutions

Our Technology Solutions segment includes our Corporate Solutions and Market Technology businesses.

Our Corporate Solutions business offers companies access to innovative products and software solutions and services that ease transparency, mitigate risk, maximize board efficiency and facilitate better corporate governance. On May 31, 2013, we acquired the TR Corporate Solutions businesses. See "Acquisition of the Investor Relations, Public Relations and Multimedia Solutions Businesses of Thomson Reuters," of Note 4, "Acquisitions and Divestiture," to the condensed consolidated financial statements for further discussion. With the acquisition of the TR Corporate Solutions businesses, Corporate Solutions revenues primarily include subscription and transaction-based income from our Governance, Investor Relations, Multimedia Solutions and Public Relations businesses.

Our Market Technology business is a leading global technology solutions provider and partner to exchanges, clearing organizations and central securities depositories. Our technology business is also the sales channel for our complete global offering to other marketplaces.

Market Technology provides technology solutions for trading, clearing, settlement, surveillance and information dissemination for markets with wide-ranging requirements, from the leading markets in the U.S., Europe and Asia to smaller African markets. Furthermore, the solutions we offer can handle all classes of assets, including cash equities, currencies, various interest-bearing securities, commodities, energy products and derivatives. Market Technology also provides governance, risk and compliance software solutions.

Our management allocates resources, assesses performance and manages these businesses as four separate segments. See Note 16, "Business Segments," to the condensed consolidated financial statements for further discussion.

Business Environment

We serve listed companies, market participants and investors by providing high quality cash equity, fixed income, derivative and commodities markets, thereby facilitating economic growth and corporate entrepreneurship. We provide market technology to exchanges, clearing organizations and central securities depositories around the world. We also offer companies access to innovative products and software solutions and services that increase transparency, mitigate risk, maximize board efficiency and facilitate better corporate governance. In broad terms, our business performance is impacted by a number of drivers including macroeconomic events affecting the risk and return of financial assets, investor sentiment, government and private sector demands for capital, the regulatory environment for capital markets, and changing technology particularly in the financial services industry. Our future revenues and net income will continue to be influenced by a number of domestic and international economic trends including:

•Trading volumes in U.S. and European derivative, fixed income, and cash equity securities, which are driven primarily by overall macroeconomic conditions;

•The number of companies seeking equity financing, which is affected by factors such as investor demand, the global economy, availability of diverse sources of financing as well as tax and regulatory policies;

•The demand for information about, or access to, our markets, which is dependent on the products we trade, our importance as a liquidity center, and the quality and pricing of our data and access services;

•The demand by companies and other organizations for the products sold by our Corporate Solutions business, which is largely driven by the overall state of the economy and the attractiveness of our offerings;

Table Of Contents

•The demand for licensed exchange traded products and other financial products based on our indices as well as changes to the underlying assets associated with existing licensed financial products;

•The challenges created by the automation of market data consumption, including competition and the quickly evolving nature of the market data business;

•The outlook of our technology customers for capital market activity;

•Continuing pressure in transaction fee pricing due to intense competition in the U.S. and Europe;

•Competition for listings and trading related to pricing, product features and service offerings;

•Regulatory changes imposed upon certain types of instruments, transactions, or capital market participants; and

•Technological advancements and members' demand for speed, efficiency, and reliability.

Currently our business drivers are defined by investors' and companies' cautiously optimistic outlook about the pace of global economic recovery. As the global economy continues to avoid the intermittent crisis environments of 2010-2012, we are experiencing modest growth in many of our non-transactional businesses. Since a number of significant structural issues continue to confront the global economy, instability could return at any time, resulting in an increased level of market volatility, oscillating trading volumes, and a return of market uncertainty. In contrast, many of our largest trading customers continue to adapt their business models as they address the implementation of regulatory changes initiated following the global financial crisis, leading to lower trading volumes. In the third quarter of 2013, the U.S. and European cash equity trading and derivative trading and clearing businesses experienced a decrease in volumes due to lower industry trading volumes. Steady performances by major stock market indices and consistently low volatility during the third quarter of 2013 helped to boost the U.S. IPO market. Additional impacts on our business drivers included the international enactment and implementation of new legislative and regulatory initiatives, and the continued rapid evolution and deployment of new technology in the financial services industry. The business environment that influenced our financial performance for the third quarter of 2013 may be characterized as follows:

•A stronger pace of new equity issuance in the U.S. with 38 IPOs on The NASDAQ Stock Market, up from 17 in the third quarter of 2012. IPO activity remained slow in the Nordics with no IPOs in the third quarter of 2013 on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic. There was one IPO in the third quarter of 2012 on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic;

•Average daily matched equity options volume for our three U.S. options exchanges decreased 3.3% compared to the third quarter of 2012, while overall average daily U.S. options volume decreased 1.4%. The decrease in our average daily matched options volume was driven by a decrease in overall U.S. options volume as well a decline in our combined matched market share for our three U.S. options exchanges of 0.6 percentage points;

•Average daily matched share volume for all of our U.S. cash equity markets decreased by 12.8%, while average daily U.S. share volume fell by 3.7% relative to the third quarter of 2012. Volatility, often a driver of volume levels, was lower in the third quarter of 2013 compared with the same period in 2012. Losses in matched share volume were due to both lower U.S. consolidated volume and a decrease in matched market share from 20.4% in the third quarter of 2012 (NASDAQ 16.8%; NASDAQ OMX BX 2.7%; NASDAQ OMX PSX 0.9%) to 18.4% in the third quarter of 2013 (NASDAQ 15.3%; NASDAQ OMX BX 2.4%; NASDAQ OMX PSX 0.7%);

•Continuous cost focus in the industry has further increased the growth of our NASDAQ Basic product, which is a low cost alternative to the consolidated tape. The number of NASDAQ Basic subscribers increased 326% compared to the third quarter of 2012;

•An increase in Information Services revenues of 19.2% relative to the third quarter of 2012, primarily due to increases in both U.S. market data products and index licensing and services revenues, partially offset by a decline in our share of revenue from the U.S. consolidated tape plans;

•A decline of 6.5% experienced by our Nordic and Baltic exchanges relative to the third quarter of 2012 in the number of traded and cleared equity and fixed-income contracts (excluding Finnish option contracts traded on Eurex);

•A 16.8% increase relative to the third quarter of 2012 in the Swedish Krona value of cash equity transactions on our Nordic and Baltic exchanges;

•Intense competition among U.S. exchanges and dealer-owned systems for cash equity trading volume and strong competition between multilateral trading facilities and exchanges in Europe for cash equity trading volume;

•Globalization of exchanges, customers and competitors extending the competitive horizon beyond national markets; and

•Market trends requiring continued investment in technology to meet customers’ demands for speed, capacity, and reliability as markets adapt to a global financial industry, as increasing numbers of new companies are created, and as emerging countries show ongoing interest in developing their financial markets.

Table Of Contents

Financial Summary

The following table summarizes our financial performance for the three and nine months ended September 30, 2013 when compared with the same periods in 2012. The comparability of our results of operations between reported periods is impacted by the acquisitions of eSpeed on June 28, 2013 and the TR Corporate Solutions businesses on May 31, 2013. See “Acquisition of eSpeed for Trading of U.S. Treasuries” and “Acquisition of the Investor Relations, Public Relations and Multimedia Solutions Businesses of Thomson Reuters,” of Note 4, “Acquisitions and Divestiture,” to the condensed consolidated financial statements for further discussion.

	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2013	2012		2013	2012	
	(in millions)			(in millions)		
Revenues less transaction rebates, brokerage, clearance and exchange fees	$ 506	$ 412	22.8%	$ 1,375	$ 1,253	9.7%
Operating expenses	304	242	25.6%	925	737	25.5%
Operating income	202	170	18.8%	450	516	(12.8)%
Interest expense	32	24	33.3%	81	73	11.0%
Loss on divestiture of business	-	14	#	-	14	#
Asset impairment charges	-	-	-	10	40	(75.0)%
Income before income taxes	171	134	27.6%	365	395	(7.6)%
Income tax provision	58	45	28.9%	122	131	(6.9)%
Net income attributable to NASDAQ OMX	$ 113	$ 89	27.0%	$ 244	$ 266	(8.3)%
Diluted earnings per share	$ 0.66	$ 0.52	26.9%	$ 1.43	$ 1.53	(6.5)%

#Denotes a variance equal to 100.0%.

In countries with currencies other than the U.S. dollar, revenues and expenses are translated using monthly average exchange rates. The following discussion of results of operations isolates the impact of year-over-year foreign currency fluctuations to better measure the comparability of operating results between periods. Operating results excluding the impact of foreign currency fluctuations are calculated by translating the current period’s results by the prior period’s exchange rates.

Impacts associated with fluctuations in foreign currency are discussed in more detail under “Item 3. Quantitative and Qualitative Disclosures about Market Risk.” For the three months ended September 30, 2013, approximately 33.4% of our revenues less transaction rebates, brokerage, clearance and exchange fees and 22.2% of our operating income were derived from currencies other than the U.S. dollar, primarily the Swedish Krona, Euro, Norwegian Krone, Danish Krone and British Pound. For the nine months ended September 30, 2013, approximately 34.8% of our revenues less transaction rebates, brokerage, clearance and exchange fees and 29.8% of our operating income were derived from currencies other than the U.S. dollar, primarily the Swedish Krona, Euro, Norwegian Krone, Danish Krone and British Pound.

The following summarizes significant changes in our financial performance for the three and nine months ended September 30, 2013 when compared with the same periods in 2012:

•Revenues less transaction rebates, brokerage, clearance and exchange fees increased $94 million, or 22.8%, to $506 million in the third quarter of 2013, compared with $412 million in the same period in 2012, reflecting an operational increase in revenues of $91 million and a favorable impact from foreign exchange of $3 million. The increase in operational revenues was primarily due to an:

• increase in Technology Solutions revenues of $58 million, primarily due to an increase in Corporate Solutions revenues;

• increase in Information Services revenues of $18 million, primarily due to increases in both U.S. market data products and Index Licensing and Services revenues;

• an increase in Market Services revenues of $14 million, primarily reflecting an increase in fixed income trading revenues less brokerage, clearance and exchange fees.

•Revenues less transaction rebates, brokerage, clearance and exchange fees increased $122 million, or 9.7%, to $1,375 million in the first nine months of 2013, compared with $1,253 million in the same period in 2012, reflecting an operational increase in revenues of $108 million and a favorable impact from foreign exchange of $14 million. The increase in operational revenues was primarily due to an:

• increase in Technology Solutions revenues of $90 million, primarily due to an increase in Corporate Solutions revenues;

• increase in Information Services revenues of $24 million, primarily due to increases in both U.S. market data products and Index Licensing and Services revenues, partially offset by;

Table Of Contents

• a net decrease in Market Services revenues of $8 million, primarily reflecting a decrease in cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees, partially offset by an increase in fixed income trading revenues less brokerage, clearance and exchange fees.

•Operating expenses increased $62 million, or 25.6%, to $304 million in the third quarter of 2013, compared with $242 million in the same period of 2012, reflecting an increase in operating expenses of $61 million and an unfavorable impact from foreign exchange of $1 million. The operational increase in operating expenses was primarily due to increased compensation and benefits expense of $37 million, increased professional and contract services expense of $14 million, and an increase in depreciation and amortization expense of $7 million, partially offset by a decrease in restructuring charges of $10 million.

•Operating expenses increased $188 million, or 25.5%, to $925 million in the first nine months of 2013, compared with $737 million in the same period of 2012, reflecting an increase in operating expenses of $180 million and an unfavorable impact from foreign exchange of $8 million. The operational increase in operating expenses was primarily due to expense incurred in connection with our voluntary accommodation program of $62 million, increased compensation and benefits expense of $53 million, increased merger and strategic initiatives expense of $33 million, increased professional and contract services expense of $25 million, increased general, administrative and other expense of $16 million, and an increase in depreciation and amortization expense of $10 million, partially offset by a decrease in restructuring charges of $27 million.

•Interest expense increased $8 million in both the third quarter and the first nine months of 2013, compared with the same periods in 2012 primarily due to the issuance of our 2021 Notes in June 2013. See “3.875% Senior Unsecured Notes,” of Note 8, “Debt Obligations,” to the condensed consolidated financial statements for further discussion.

•For both the third quarter and first nine months of 2012, loss on divestiture of business reflects our loss on the sale of IDCG. See “2012 Divestiture,” of Note 4, “Acquisitions and Divestiture,” to the condensed consolidated financial statements for further discussion.

•In the first nine months of 2013, asset impairment charges of $10 million were related to certain acquired intangible assets associated with customer relationships ($7 million) and a certain trade name ($3 million). In the first nine months of 2012, we recorded asset impairment charges totaling $28 million related to certain acquired finite-lived intangible assets associated with technology ($19 million), customer relationships ($6 million), and certain trade names ($3 million). We also recorded an other-than-temporary impairment charge of $12 million related to our equity interest in EMCF.

•Income tax provision increased $13 million, or 28.9%, to $58 million in the third quarter of 2013, compared with the same period of 2012 primarily due to higher income before income taxes in the third quarter of 2013.

•Income tax provision decreased $9 million, or 6.9%, to $122 million in the first nine months of 2013, compared with the same period of 2012 primarily due to lower income before income taxes in the first nine months of 2013.

These current and prior year items are discussed in more detail below.

Table Of Contents

NASDAQ OMX's Operating Results

Key Drivers

The following table includes key drivers for our Market Services, Listing Services, and Technology Solutions segments. In evaluating the performance of our business, our senior management closely watches these key drivers.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Market Services				
Derivative Trading and Clearing				
U.S. Equity Options				
Total industry average daily volume (in millions)	13.6	13.8	14.8	14.9
NASDAQ OMX PHLX matched market share	16.7%	21.4%	18.5%	21.1%
The NASDAQ Options Market matched market share	9.0%	5.2%	8.6%	5.3%
NASDAQ OMX BX Options Market matched market share	1.0%	0.7%	1.0%	0.2%
Total market share	26.7%	27.3%	28.1%	26.6%
NASDAQ OMX Nordic and NASDAQ OMX Baltic				
Average Daily Volume:				
Options, futures and fixed-income contracts	346,940	371,230	409,151	423,703
Finnish option contracts traded on Eurex	116,583	70,211	121,031	77,651
NASDAQ OMX Commodities				
Power contracts cleared (TWh)[1]	363	384	1,247	1,250
Cash Equity Trading				
NASDAQ securities				
Total average daily share volume (in billions)	1.63	1.66	1.74	1.75
Matched market share executed on NASDAQ	24.3%	25.2%	24.3%	26.3%
Matched market share executed on NASDAQ OMX BX	2.3%	2.7%	2.4%	2.7%
Matched market share executed on NASDAQ OMX PSX	0.7%	1.2%	0.8%	1.4%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	37.7%	31.5%	36.4%	32.0%
Total market share[2]	65.0%	60.6%	63.9%	62.4%
New York Stock Exchange, or NYSE, securities				
Total average daily share volume (in billions)	3.12	3.39	3.42	3.72
Matched market share executed on NASDAQ	11.3%	12.8%	11.5%	13.3%
Matched market share executed on NASDAQ OMX BX	2.3%	2.5%	2.3%	2.6%
Matched market share executed on NASDAQ OMX PSX	0.5%	0.6%	0.5%	0.7%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	33.6%	28.6%	32.7%	29.8%
Total market share[2]	47.7%	44.5%	47.0%	46.4%
NYSE MKT and regional securities				
Total average daily share volume (in billions)	1.02	0.94	1.09	1.08

Matched market share executed on NASDAQ	13.0%	16.1%	13.7%	17.9%
Matched market share executed on NASDAQ OMX BX	3.1%	3.0%	2.8%	2.7%
Matched market share executed on NASDAQ OMX PSX	1.4%	1.5%	1.4%	2.0%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	32.4%	29.5%	32.1%	29.0%
Total market share[(2)]	49.9%	50.1%	50.0%	51.6%
Total U.S.-listed securities				
Total average daily share volume (in billions)	5.77	5.99	6.25	6.55
Matched share volume (in billions)	67.9	76.6	218.8	262.5
Matched market share executed on NASDAQ	15.3%	16.8%	15.5%	17.5%
Matched market share executed on NASDAQ OMX BX	2.4%	2.7%	2.4%	2.6%
Matched market share executed on NASDAQ OMX PSX	0.7%	0.9%	0.8%	1.1%
Total market share	18.4%	20.4%	18.7%	21.2%
NASDAQ OMX Nordic and NASDAQ OMX Baltic securities				
Average daily number of equity trades	285,404	284,764	310,036	341,138
Total average daily value of shares traded (in billions)	$ 4.0	$ 3.2	$ 4.2	$ 4.0
Total market share	67.3%	68.5%	68.6%	68.9%