NASDAQ OMX GROUP, INC.
Form 10-K
February 21, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

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	**52-1165937**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

One Liberty Plaza, New York, New York	**10006**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code:

+1 212 401 8700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $.01 par value per share	The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

As of June 29, 2012, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was approximately $2.6 billion (this amount represents approximately 116.7 million shares of The NASDAQ OMX Group, Inc. s common stock based on the last reported sales price of $22.67 of the common stock on The NASDAQ Stock Market on such date).

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 February 8, 2013**
Common Stock, $.01 par value per share	165,678,013 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Certain portions of the Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders	Part III

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About This Form 10-K

The NASDAQ OMX Group, Inc. is a holding company created by the business combination of The Nasdaq Stock Market, Inc. and OMX AB (publ) which was completed on February 27, 2008. Under the purchase method of accounting, Nasdaq was treated as the accounting and legal acquirer in this business combination. As such, Nasdaq is the predecessor reporting entity of NASDAQ OMX and the results of operations of OMX are only included in NASDAQ OMX s consolidated results of operations beginning February 27, 2008.

Throughout this Form 10-K, 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.

OMX refers to OMX AB (publ) subsequent to the business combination with Nasdaq.

NASDAQ OMX Nordic refers to collectively, 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.

PHLX refers to the Philadelphia Stock Exchange, Inc. and its subsidiaries, as that entity operated prior to its acquisition by NASDAQ OMX.

NASDAQ OMX PHLX refers to NASDAQ OMX PHLX LLC (formerly NASDAQ OMX PHLX, Inc.) subsequent to its acquisition by NASDAQ OMX.

SEK or Swedish Krona refers to the lawful currency of Sweden.

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Aces®, BX Venture Market®, Directors Desk®, Dream It. Do It®, EVI®, GlobeNewswire®, INET®, ITCH®, Market Intelligence Desk®, Market Mechanics®, MarketSite®, NASDAQ®, NASDAQ Biotechnology®, NASDAQ Biotechnology Index®, NASDAQ Capital Market®, NASDAQ Competitive VWAP®, NASDAQ Composite®, NASDAQ Composite Index®, NASDAQ Computer Index®, NASDAQ-Financial Index®, NASDAQ Financial-100 Index®, NASDAQ Global Market®, NASDAQ Global Select Market®, NASDAQ Industrial Index®, NASDAQ

Interact®, NASDAQ Internet Index®, NASDAQ Is There When the Bell Stops Ringing®, NASDAQ Market Analytix®, NASDAQ Market Center®, NASDAQ Market Forces®, NASDAQ Market Velocity®, NASDAQ MarketSite®, NASDAQ MAX®, NASDAQ Market Analytix®, NASDAQ National Market®, NASDAQ OMX®, NASDAQ OMX Advantage®, NASDAQ OMX Alpha Indexes®, NASDAQ OMX BX®, NASDAQ OMX Event Technologies®, NASDAQ OMX Express®, NASDAQ OMX Futures Exchange®, NASDAQ OMX Green Economy Index®, The NASDAQ OMX Group®, NASDAQ OMX Nordic®, NASDAQ OMX Social Stream®, NASDAQ Q-50 Index®, NASDAQ Report Source®, NASDAQ Social Stream®, NASDAQ Telecommunications Index®, NASDAQ TotalView®, NASDAQ Trade Up®, NASDAQTrader®, 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®, NLX®, NOMX®, PHLX®, PORTAL Alliance®, QQQ®, QView®, Shareholder.com®, SuperCab®, The NASDAQ Stock Market®, The Stock Market for the Next 100 Years®, Trade Up®, and UltraFeed® are registered trademarks of The NASDAQ OMX Group, Inc.

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 Annual Report on Form 10-K 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 Annual Report on Form 10-K for initial public offerings, or IPOs, is based on data generated internally by us, which includes best efforts underwritings and closed-end funds;

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therefore, the data may not be comparable to other publicly-available IPO data. Data in this Annual Report on Form 10-K 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 Annual Report on Form 10-K 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, including those discussed in Item 1A. Risk Factors in this Annual Report on Form 10-K.

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Forward-Looking Statements

The U.S. Securities and Exchange Commission, or 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 Annual Report on Form 10-K contains these types of statements. Words such as anticipates, estimates, expects, projects, intends, plans, believes and words or 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 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 more fully described under the caption Item 1A. Risk Factors, in this Annual Report on Form 10-K. 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 Annual Report on Form 10-K, including Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, and the 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.

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Part I

Item 1. 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 December 31, 2012, The NASDAQ Stock Market was home to 2,577 listed companies with a combined market capitalization of approximately $5.2 trillion. In addition, in the U.S. we operate two additional cash equities trading markets, three options markets and a futures market. We also engage 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 December 31, 2012, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, together with NASDAQ OMX First North, were home to 754 listed companies with a combined market capitalization of approximately $1.0 trillion. We also operate NASDAQ OMX Armenia.

In addition, NASDAQ OMX Commodities operates the world s largest power derivatives exchange, 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.

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

History and Structure

Nasdaq was founded in 1971 as a wholly-owned subsidiary of FINRA (then known as the National Association of Securities Dealers, Inc.). Beginning in 2000, FINRA restructured and broadened ownership in Nasdaq by selling shares to FINRA members, investment companies and issuers listed on The NASDAQ Stock Market.

In connection with this restructuring, Nasdaq applied to the SEC to register The NASDAQ Stock Market as a national securities exchange. FINRA fully divested its ownership of Nasdaq in 2006, and The NASDAQ Stock Market became fully operational as an independent registered national securities exchange in 2007. In 2006, Nasdaq also reorganized its operations into a holding company structure. As a result, our exchange licenses and exchange and broker-dealer operations are held by our subsidiaries.

On February 27, 2008, Nasdaq and OMX AB combined their businesses pursuant to an agreement with Borse Dubai Limited, a Dubai company, or Borse Dubai, and Nasdaq was renamed The NASDAQ OMX Group, Inc. This transformational combination resulted in the expansion of our business from a U.S.-based exchange operator to a global exchange company offering technology that powers our own exchanges and markets as well as more than 70 other exchanges, clearing organizations and central securities depositories in more than 50 countries. Our Genium INET and X-stream INET technology platforms, based on proven INET technology, provide technology to customers with the speed, scale and reliability required to meet the specific needs of their markets.

Also in 2008, we expanded our U.S. Market Services business through the acquisitions of the Philadelphia Stock Exchange, Inc., or PHLX, and the Boston Stock Exchange, Incorporated, or BSX. These acquisitions allowed us to extend our presence in the derivatives markets and we currently operate three separate options markets. In addition, we have used the licenses acquired in these acquisitions to launch two additional U.S. cash equities markets. In 2010, we also grew our Market Services offerings with the acquisition of FTEN, Inc., or FTEN, a leading provider of Real-Time Risk Management, or RTRM, solutions for the financial securities market.

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We also have expanded into the business of trading and clearing commodities products in recent years. In 2008, we acquired the clearing, international derivatives and consulting subsidiaries of Nord Pool ASA, or Nord Pool. As a result of this acquisition, we launched NASDAQ OMX Commodities, which offers energy and carbon derivatives products. In 2010, we acquired a derivatives trading market through the purchase of the remaining businesses of Nord Pool. Also in 2010, through our subsidiary NASDAQ OMX Commodities Clearing Company, or NOCC, we purchased the assets of North American Energy Credit and Clearing Corp., expanding our presence in the OTC energy commodity markets. Together with Nord Pool Spot, NASDAQ OMX Commodities launched N2EX, a marketplace for physical U.K. power contracts. In July 2012, we acquired NOS Clearing, a leading Norway-based clearinghouse primarily for OTC traded derivatives for the freight market and seafood derivatives market.

In August 2010, we acquired SMARTS Group Holdings Pty Ltd, or SMARTS, a leading technology provider of surveillance solutions to exchanges, regulators and brokers. This acquisition allowed our Market Technology business to enter the surveillance and compliance market.

In recent years, we have expanded our Corporate Solutions business, which provides customer support services, products and programs to companies including companies listed on our exchanges, through organic growth and numerous acquisitions. In May 2012, we acquired a 72% ownership interest in BWise Beheer B.V. and its subsidiaries, 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. 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. Most recently, in December 2012, we entered into an agreement with Thomson Reuters to acquire its Investor Relations, Public Relations and Multimedia Solutions businesses. Upon closing, these complementary businesses will be integrated into our Corporate Solutions business. The proposed transaction is subject to customary regulatory approvals and is expected to close in the first half of 2013.

Competitive Strengths

Premier global exchange company. We are a premier global exchange company that operates the largest cash equities market in terms of share value traded in the world. For the year ended December 31, 2012, our exchanges had an average daily trading volume of 6.6 million trades in cash equities, representing a value of approximately $12.4 trillion. In addition, across our markets, we had 3,331 listings representing over 40 countries as of December 31, 2012, including many of the world s largest companies. Our wholly-owned subsidiary The NASDAQ Stock Market continues to be the single largest liquidity pool for trading cash equities in the U.S.

Leader in global exchange technology. We believe we are the leader in global exchange technology. As the world s first electronic stock market, we pioneered electronic trading and have continued to innovate over the last 40 years. Our INET platform processes trades at sub-55 microsecond average transaction speeds with close to 100% system reliability. In addition, our platforms are highly scalable with current capacity at ten times the average daily volume allowing significantly higher transaction volume to be handled at low incremental cost. Furthermore, we were the first exchange to offer electronic trading and integrated derivatives trading and clearing to other exchanges and today have a global technology customer base of more than 70 marketplaces in over 50 countries worldwide, including China (Hong Kong), Japan, Singapore, Australia and the U.S. Our Genium INET offering, based on proven INET technology, provides technology customers with the speed, scale and reliability required to meet the specific needs of their markets. We believe that we will continue to provide leading technology for the world s competitive and demanding capital markets, which increasingly require that exchanges be able to constantly secure the best price for investors and issuers, a natural strength of our technology and electronic trading platforms.

Diversified operations and products. We have a diversified business, both in terms of geography and product offerings. In addition, our recent acquisitions, investments and strategic initiatives have significantly diversified our product offerings, particularly in the derivatives trading and clearing, commodities, corporate solutions and surveillance technology businesses. Our business has continued to increase subscription-based and recurring revenue.

Proven and disciplined management team. We have a proven and disciplined management team led by Robert Greifeld, our Chief Executive Officer, that has substantial financial services industry experience and expertise in making and integrating strategic acquisitions. We believe the NASDAQ OMX management team has demonstrated an ability to innovate and respond effectively to market opportunities.

Commitment to regulatory integrity. As a global exchange company, we are subject to regulation in many jurisdictions worldwide. NASDAQ OMX is always committed to working with regulators, exchanges and market participants to ensure transparent trading and a fair and orderly market for the benefit of investors. In some instances, NASDAQ OMX has entered into agreements with independent third parties to provide regulatory oversight that is separate from our markets. In addition to operating real-time market surveillance programs relating to trading and compliance-monitoring, NASDAQ also maintains enforcement programs with respect to listings on our markets. We are committed to strong and effective regulation and believe that regulatory integrity benefits investors, strengthens the NASDAQ OMX brand and attracts companies seeking to do business with us or to list securities on our markets.

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Products and Services

Prior to January 1, 2013, we operated in three segments: Market Services, Issuer Services and Market Technology. Of our 2012 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,663 million, 66.4% was from our Market Services segment, 22.5% was from our Issuer Services segment and 11.1% was from our Market Technology segment. Of our 2011 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,682 million, 67.6% was from our Market Services segment, 21.5% was from our Issuer Services segment and 10.9% was from our Market Technology segment. Of our 2010 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,516 million, 67.6% was from our Market Services segment, 22.3% was from our Issuer Services segment, 10.0% was from our Market Technology segment and 0.1% related to other revenues.

See Note 19, Business Segments, to the consolidated financial statements for additional financial information about our segments and geographic data.

As announced in January 2013, we realigned our reportable segments as a result of changes to the organizational structure of our businesses. See Note 20, Subsequent Event, to the consolidated financial statements for further discussion.

Market Services

Our Market Services segment includes our U.S. and European Transaction Services businesses, which include Access Services, as well as our Market Data and Broker Services businesses. 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.

U.S. Transaction Services

In the U.S., we offer trading in cash equity securities, derivatives and ETFs on our cash equities, options and futures markets and engage in riskless principal trading of OTC power and gas contracts through NASDAQ OMX Commodities Clearing, or NOCC. Our transaction-based platforms in the U.S. provide market participants with the ability to access, process, display and integrate orders and quotes for cash equity securities, derivatives and ETFs. The platforms allow the routing and execution of buy and sell orders as well as the reporting of transactions for cash equity securities, derivatives and ETFs, providing fee-based revenues.

Cash Equities Trading. The NASDAQ Stock Market is the largest single pool of liquidity for trading U.S.-listed cash equities, matching an average of approximately 17.0% of all U.S. cash equities volume for 2012.

We also operate two additional U.S. cash equities markets, called NASDAQ OMX BX and NASDAQ OMX PSX. With these markets, we offer a second and third quote within the U.S. cash equities marketplace, providing our customers enhanced trading choices and price flexibility. All of our cash equities exchanges are run on our INET trading system, providing customers additional fast and efficient cash equity securities markets using familiar technology. In accessing these markets, our customers can leverage existing infrastructure, reducing incremental costs when connecting. In 2012, NASDAQ OMX BX matched an average of approximately 2.7% and NASDAQ OMX PSX matched an average of approximately 1.1% of all U.S. cash equities volume.

Our fully electronic U.S. transaction-based platforms provide members with the ability to access, process, display and integrate orders and quotes in cash equity securities. Market participants include market makers, broker-dealers, alternative trading systems, or ATSs, and registered securities exchanges. These services are offered for NASDAQ-listed and non-NASDAQ-listed securities. Specifically, our platforms:

- provide a comprehensive display of the interest by market participants at the highest price a participant is willing to buy a security (best bid) and also the lowest price a participant is willing to sell that security (best offer);
- provide subscribers quotes, orders and total anonymous interest at every price level for exchange-listed securities and critical data for the Opening Cross, Closing Cross, Halt Cross and IPO Cross; and

provide anonymity to market participants (i.e., participants do not know the identity of the firm displaying the order unless that firm chooses to reveal its identity), which can contribute to improved pricing for securities by reducing the potential market impact that transactions by investors whose trading activity, if known, may influence others.

Trade Reporting. All U.S. registered national securities exchanges and securities associations are required to establish a transaction reporting plan for the central collection of price and volume information concerning trades executed in those markets. Trades executed on our cash equities exchanges are automatically reported under the appropriate transaction reporting plan. Currently, market participants are not charged for the reporting of most of these trades. Our cash equities exchanges, however, earn revenues for all of these trades in the form of shared market information revenues under the Unlisted Trading Privileges Plan, or the UTP Plan, for NASDAQ-listed securities and under the Consolidated Tape and Consolidated Quotation Plans for securities listed on the New York Stock Exchange, or NYSE, NYSE MKT and other exchanges.

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Through The FINRA/NASDAQ Trade Reporting Facility, or FINRA/NASDAQ TRF, we collect reports of trades executed by broker-dealers outside of our exchanges. The FINRA/NASDAQ TRF collects trade reports as a facility of FINRA. A large percentage of these trades results from orders that broker-dealers have matched internally and is submitted to the FINRA/NASDAQ TRF for reporting purposes only. The FINRA/NASDAQ TRF charges market participants for locked-in reporting of most trades, but it shares back most revenues earned from shared market information with respect to the trades. The FINRA/NASDAQ TRF also generates revenues by providing trade comparison to broker dealers by matching and locking-in the two parties to a trade that they have submitted to the FINRA/NASDAQ TRF for reporting and clearing.

In addition to trade reporting and trade comparison services, we provide clearing firms with risk management services to assist them in monitoring their exposure to their correspondent brokers.

U.S. Derivative Trading and Clearing. In the U.S., we operate The NASDAQ Options Market, NASDAQ OMX PHLX and NASDAQ OMX BX Options for the trading of equity options, ETF options, index options and foreign currency options. As of December 31, 2012, NASDAQ OMX PHLX, which operates a hybrid electronic and floor-based market, was the largest equity options market in the U.S. During the year ended December 31, 2012, our options markets had an average combined market share of approximately 27.2% in the U.S. equity options market, consisting of approximately 21.3% at NASDAQ OMX PHLX, 5.5% at The NASDAQ Options Market and 0.4% at NASDAQ OMX BX Options. Together, the combined market share of 27.2% represented the largest share of the U.S. equity options market and ETF options market. Our options trading platforms provide trading opportunities to both retail investors, algorithmic trading firms and market makers, who tend to prefer electronic trading, and institutional investors, who typically pursue more complex trading strategies and often trade on the floor.

In the U.S., we also operate NFX, a designated contract market regulated by the U.S. Commodity Futures Trading Commission, or CFTC. NFX offers trading of futures contracts on spot gold, which clear at The Options Clearing Corporation, or OCC.

NASDAQ OMX also engages in riskless principal trading and clearing of OTC power and gas contracts through our subsidiary NOCC.

European Transaction Services

Nordics. NASDAQ OMX Nordic s operations comprise the exchanges in Stockholm (Sweden), Copenhagen (Denmark), Helsinki (Finland), and Iceland. Collectively, the exchanges offer trading for cash equities and bonds, trading and clearing services for derivatives, and clearing services for resale and repurchase agreements. Our platform allows the exchanges to share the same trading system, which enables efficient cross-border trading and settlement, cross membership and a single source for Nordic market data.

Trading is offered in Nordic securities such as cash equities and depository receipts, warrants, convertibles, rights, fund units, ETFs, bonds and other interest-related products. NASDAQ OMX Stockholm also offers trading in derivatives, such as stock options and futures, index options and futures, fixed-income options and futures and stock loans. Settlement and registration of cash trading takes place in Sweden, Finland, Denmark and Iceland via the local central securities depositories.

NASDAQ OMX s trading offerings also include cash equities listed in Norway and Norwegian derivatives products. The offering is designed to provide lower trading costs and other benefits for customers seeking to trade all Nordic cash equity products on one platform.

Most of our cash equity trades on the exchanges that comprise NASDAQ OMX Nordic are centrally cleared by the European Multilateral Clearing Facility N.V., or EMCF, a leading European clearinghouse in which we own a 22% equity stake.

NASDAQ OMX Stockholm offers clearing services for fixed-income options and futures, stock options and futures and index options and futures by serving as the central counterparty, or CCP. NASDAQ OMX Stockholm also operates a clearing service for the resale and repurchase agreement market. As a result of an agreement between the Swedish Money Market Council and NASDAQ OMX, a large portion of the Swedish Interbank resale and repurchase agreement market is cleared through NASDAQ OMX Stockholm.

Baltics. NASDAQ OMX Baltic operations comprise the exchanges in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania). As of December 31, 2012, NASDAQ OMX owns NASDAQ OMX Tallinn and has a majority ownership in NASDAQ OMX Vilnius and NASDAQ OMX Riga. In addition, NASDAQ OMX Tallinn owns the central securities depository in Estonia, NASDAQ OMX Riga owns the central securities depository in Latvia, and NASDAQ OMX Helsinki and NASDAQ OMX Vilnius jointly own the central securities depository in Lithuania.

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The exchanges that comprise NASDAQ OMX Baltic offer their members trading, clearing, payment and custody services. Issuers, primarily large local companies, are offered listing and a distribution network for their securities. The securities traded are mainly cash equities, bonds and treasury bills. Clearing, payment and custody services are offered through the central securities depositories in Estonia, Latvia and Lithuania. In addition, in Estonia and Latvia, NASDAQ OMX offers registry maintenance of fund units included in obligatory pension funds, and in Estonia, NASDAQ OMX offers the maintenance of shareholder registers for listed companies. The Baltic central securities depositories offer a complete range of cross-border settlement services.

TOM. In December 2012, we announced an agreement to acquire a 25% stake 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. The acquisition is subject to regulatory approval.

Commodities Trading and Clearing. NASDAQ OMX Commodities offers trading and clearing of international power derivatives, carbon and other commodities products. NASDAQ OMX Commodities offering includes the world s largest power derivatives exchange and one of Europe s largest carbon exchanges.

NASDAQ OMX Commodities has over 400 members across a wide range of energy producers and consumers, as well as financial institutions. NASDAQ OMX Commodities offering is designed for banks, brokers, hedge funds and other financial institutions, as well as power utilities, industrial, manufacturing and oil companies. NASDAQ OMX Commodities offers clearing services for energy derivative and carbon product contracts by serving as the CCP.

In addition, NASDAQ OMX Commodities, together with Nord Pool Spot, operates N2EX, a marketplace for physical U.K. power contracts.

In July 2012, we acquired NOS Clearing, a leading Norway-based clearinghouse primarily for OTC traded derivatives for the freight market and seafood derivatives market.

U.K. In June 2012, we announced the intention to launch a new London-based trading venue, NLX, offering a range of both short-term interest rate (STIRs) and long-term interest rate (LTIRs) euro and sterling-based listed derivative products. NLX aims to enhance the competitive landscape by providing highly competitive execution and clearing fees and significant margin efficiencies. The platform is expected to launch in the second quarter of 2013, pending Financial Services Authority approval.

Access Services

We provide market participants with several alternatives for accessing our markets for a fee. Shifting connectivity from proprietary networks to third-party networks has significantly reduced technology and network costs and increased our systems scalability without affecting performance or reliability.

Our U.S. marketplaces may be accessed via a number of different protocols. The Financial Information Exchange product that uses the FIX protocol, a standard method of financial communication between trading firms and vendors, enables firms to leverage their existing FIX technology with cost-effective connections to our markets. Market participants may also access our systems using QIX, a proprietary programming interface that provides a more streamlined and efficient protocol for our users with expanded functionality, including quotation updates, and computer-to-computer interface, or CTCI, a protocol that allows market participants to enter transactions directly from their computer systems to our computer systems. Firms also may use former INET protocols, such as OUCH and RASH, to access our single trading platform. We also earn revenues from connectivity to various market data feeds. As an alternative to a firm-developed trading front-end, our system offers the NASDAQ Workstation, an internet-browser based interface that allows market participants to view market data and enter orders, quotes and trade reports. Finally, we offer a variety of add-on compliance tools to help firms comply with regulatory requirements.

We provide co-location services to market participants whereby firms may lease space for equipment within our data center. These participants are charged monthly fees for cabinet space, connectivity and support. We also earn revenues from annual and monthly exchange membership and registration fees.

Access Services revenues also include revenues from FTEN, a leading provider of RTRM solutions for the financial securities market. As a market leader in RTRM, FTEN provides broker-dealers and their clients the ability to manage risk more effectively in real-time, which leads to better utilization of capital as well as improved regulatory compliance.

In 2012, we announced the launch of FinQloud, a platform for financial services applications that provides efficient management and storage of financial data.

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Market Data

We earn Market Data revenues from U.S. tape plans and U.S. and European proprietary market data products.

Net U.S. Tape Plans. The NASDAQ Stock Market operates as the exclusive Securities Information Processor of the UTP Plan for the collection and dissemination of best bid and offer information and last transaction information from markets that quote and trade in NASDAQ-listed securities. The NASDAQ Stock Market, NASDAQ OMX BX and NASDAQ OMX PSX are participants in the UTP Plan and share in the net distribution of revenue according to the plan on the same terms as the other plan participants. In the role as the Securities Information Processor, The NASDAQ Stock Market collects and disseminates quotation and last sale information for all transactions in NASDAQ-listed securities whether traded on The NASDAQ Stock Market or other exchanges. We sell this information to market participants and to data distributors, who then provide the information to subscribers. After deducting costs associated with our role as an exclusive Securities Information Processor, as permitted under the revenue sharing provision of the UTP Plan, we distribute the tape revenues to the respective UTP Plan participants, including The NASDAQ Stock Market, NASDAQ OMX BX and NASDAQ OMX PSX, based on a formula required by Regulation NMS that takes into account both trading and quoting activity. In addition, all quotes and trades in NYSE- and NYSE MKT-listed securities are reported and disseminated in real time, and as such, we share in the tape revenues for information on NYSE- and NYSE MKT-listed securities.

U.S. Market Data Products. Our market data products enhance transparency and provide critical information to professional and non-professional investors. We collect, process and create information and earn revenues as a distributor of our own, as well as select, third-party content. We provide varying levels of quote and trade information to market participants and to data distributors, who in turn provide subscriptions for this information. Our systems enable distributors to gain direct access to our market depth, index values, mutual fund valuation, order imbalances, market sentiment and other analytical data. Revenues from U.S. market data products are subscription-based and are generated primarily based on the number of data subscribers and distributors of our data.

We distribute this proprietary market information to both market participants and non-participants through a number of proprietary products. We use our broad distribution network of more than 2,000 market data distributors to deliver data regarding our market depth, index values, mutual fund valuation, order imbalances, market sentiment and other analytical data.

We offer a range of proprietary data products, including NASDAQ TotalView, our flagship market depth quote product. TotalView shows subscribers quotes, orders and total anonymous interest at every price level in The NASDAQ Stock Market for NASDAQ-listed securities and critical data for the Opening, Closing, Halt and IPO Crosses. We also offer TotalView products for our NASDAQ OMX BX and NASDAQ OMX PSX markets. TotalView is offered through distributors to professional subscribers for a monthly fee per terminal and to non-professional subscribers for a lower monthly fee per terminal. We also offer TotalView enterprise licenses to facilitate broad based distribution of this data. In addition, we charge the distributor a monthly distributor fee.

We operate several other proprietary services and data products to provide market information, which include:

- NASDAQ Basic, which offers a flexible and affordable way to provide customers with essential trading data of best bid and offer and last sale information;

- NASDAQ Last Sale, which provides broad based and universal access to real-time last sale information via Internet portals;

- NASDAQ Market Replay, a powerful replay and analysis tool that allows users to view order book and trade data for NASDAQ, NYSE- and NYSE MKT-listed securities at any point in time;

- NASDAQ OMX DataStore, which is designed to transform the market data industry through use of plug-and-play technology to deliver new proprietary information content;

- Mutual Fund Quotation Service, a service for over 29,000 mutual funds, money market funds and unit investment trusts that supports fund data, including net asset values, and capital gains and dividend income distribution and provides print and electronic media exposure for the funds;

Mutual Fund Dissemination Service, which is a service that facilitates the real-time and end-of-day recap dissemination of all mutual fund pricing information and is used by data vendors and media to receive complete net asset value data on funds;

Global Index Dissemination Service, which is a real-time data feed that carries the values for a number of broad-based and sector indexes and ETFs;

Top Of PHLX Options, which is a top-price-level data feed directly from the NASDAQ OMX PHLX options market;

MatchView, a direct data feed that provides a view of the prevailing best bid offer of other exchanges;

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- Global Index Watch, which provides index weights and components, including advanced notification of corporate actions, as well as real-time, daily and historical index values for NASDAQ OMX indexes;
- NASDAQ Data-On-Demand, a service that gives customers instant access to historical Level 1 information;
- Global Access, a service that uses NASDAQ OMX expertise to perform services for clients, such as client on-site reviews;
- Event Driven Analytics, a machine readable news service delivering key economic indicators directly from the source; and
- NASDAQ OMX Ultrafeed, an efficient aggregated and normalized data feed including all North American equity, options, futures, indexes and fund market data.

European Market Data Products. The exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, as well as NASDAQ OMX Commodities, offer European market data products and services. These data products and services provide critical market transparency to professional and non-professional investors who participate in European marketplaces and, at the same time, give investors greater insight into these markets.

European market data products and services are based on the trading information from the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, as well as NASDAQ OMX Commodities, for the following classes of assets: cash equities, bonds, derivatives and commodities. We provide varying levels of quote and trade information to market participants and to data distributors, who in turn provide subscriptions for this information. Revenues from European market data products are subscription-based and are generated primarily based on the number of data subscribers and distributors of our data.

We provide a wide range of data products including products in real-time, some with a time delay or in batch delivery. These products and services are packaged for market professionals as well as for private individuals, and include real-time information on market depth, specific transactions and share-price trends, the compilation and calculation of reference information such as indexes and the presentation of statistics.

Significant European market data products include:

- Nordic Equity TotalView, which provides full market insight into the order book, news and analysis data for all Nordic cash equities. The product also includes index values and weights and liquidity measure indicators;
- Nordic Derivative TotalView ITCH, the low latency source for Nordic derivatives, which displays all bid/ask prices in the order book, real time listing details and trading information; and
- Nordic Fixed Income Level 2, which provides listing details, order book information, bid and ask quotes for up to five levels, trade information, derived information, indicative bid and ask quotes, daily turnover statistics and company disclosures.

Broker Services

Our Broker Services operations offer technology and customized securities administration solutions to financial participants in the Nordic market. Broker Services provides services through a registered securities company that is regulated by the Swedish Financial Supervisory Authority, or SFSA. Services primarily consist of flexible back-office systems, which allow customers to entirely or partly outsource their company s back-office functions.

We offer customer and account registration, business registration, clearing and settlement, corporate action handling for reconciliations and reporting to authorities. Available services also include direct settlement with the Nordic central securities depositories, real-time updating and communication via the Society for Worldwide Interbank Financial Telecommunication, or SWIFT, to deposit banks. Revenues are based on a fixed basic fee for back-office brokerage services, such as administration or licensing, maintenance and operations, and a variable portion that depends on the number of transactions completed.

Issuer Services

Our Issuer Services segment includes our Global Listing Services and Global Index Group businesses. We offer capital raising solutions to over 3,300 companies around the globe representing approximately $6.2 trillion in total market value as of December 31, 2012.

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. In addition, through our Corporate Solutions business, we offer companies access to innovative products and software solutions and services that ease transparency, mitigate risk, maximize board efficiency and facilitate better corporate governance.

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Global Listing Services

Our Global Listing Services business includes our U.S. Listings, European Listings and Corporate Solutions businesses.

U.S. Listings. Companies listed on The NASDAQ Stock Market represent a diverse array of industries including health care, consumer products, telecommunication services, information technology, financial services, industrials and energy.

Companies seeking to list securities on The NASDAQ Stock Market must meet minimum listing requirements, including specified financial and corporate governance criteria. Once listed, companies must meet continued listing standards. The NASDAQ Stock Market currently has three listing tiers: The NASDAQ Global Select Market, The NASDAQ Global Market and The NASDAQ Capital Market. All three market tiers maintain rigorous listing and corporate governance standards (both initial and ongoing).

As of December 31, 2012, a total of 2,577 companies listed securities on The NASDAQ Stock Market, with 1,446 listings on The NASDAQ Global Select Market, 634 on The NASDAQ Global Market and 497 on The NASDAQ Capital Market.

We aggressively pursue new listings from companies, including those undergoing IPOs as well as companies seeking to switch from alternative exchanges. In 2012, The NASDAQ Stock Market attracted 158 new listings. Included in these listings were 72 IPOs, almost 48% of the total U.S. IPOs in 2012. The new listings were comprised of the following:

Total New Listings on The NASDAQ Stock Market	158
Switches from NYSE/NYSE MKT	16
IPOs	72
Upgrades from OTC	36
ETFs, Structured Products and Other Listings	34

In 2012, a total of 16 NYSE- or NYSE MKT-listed companies switched to The NASDAQ Stock Market, representing approximately $135 billion in market capitalization, including Kraft Foods, Texas Instruments, Goodyear Tire & Rubber and Analog Devices.

European Listings. We also offer listings on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic. For smaller companies and growth companies, we offer access to the financial markets through the NASDAQ OMX First North alternative marketplaces. As of December 31, 2012, a total of 754 companies listed securities on our Nordic and Baltic exchanges and NASDAQ OMX First North.

Our European listing customers are organizations such as companies, funds or governments. Customers issue securities in the form of cash equities, depository receipts, warrants, ETFs, convertibles, rights, options, bonds or fixed-income related products. In 2012, a total of 18 new companies were listed on our Nordic and Baltic exchanges and NASDAQ OMX First North.

Corporate Solutions. Our Corporate Solutions business provides customer support services, products and programs to customers, including companies listed on our exchanges. Through our Corporate Solutions offerings, companies gain access to innovative products and software solutions and services that ease transparency, mitigate risk, maximize board efficiency and facilitate better corporate governance. We provide corporate solutions in the following key areas of focus:

- *Investor Relations*. We provide industry-leading investor relations and news distribution products designed to make it easier for companies to interact and communicate with analysts and investors while meeting corporate governance and disclosure requirements.

- *Market Monitoring*. We offer unique proprietary services that help companies monitor their stock and track peer performance.

- *Board Practice*. We offer management solutions to ensure board member effectiveness.

Global Visibility. We provide ways for companies to increase their visibility through our MarketSite offerings and access to discounts and special offers from other listed companies.

Webcasting. We offer webcasting and investor relations communication services for companies in the Nordic region through our subsidiary ZVM, a leading provider of webcasting services in Northern Europe.

Corporate Communications and Reputation Management. Through our subsidiary, Glide Technologies, we offer corporate communications and reputation management solutions to investor relations and public relations professionals.

In May 2012, we acquired a 72% ownership interest in 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. 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.

In December 2012, we entered into an agreement with Thomson Reuters to acquire its Investor Relations, Public Relations and Multimedia Solutions businesses. Upon closing, these complementary businesses will be integrated into our Corporate Solutions business. The proposed transaction is subject to customary regulatory approvals and is expected to close in the first half of 2013.

Global Index Group

We are one of the world s leading index providers. We develop and license NASDAQ OMX branded indexes, associated derivatives and financial products as part of our Global Index Group business. We believe that these indexes and products leverage, extend and enhance the NASDAQ OMX brand. License fees for our trademark licenses vary by product based on a percentage of underlying assets, dollar value of a product issuance, number of products or number of contracts traded. In addition to generating licensing revenues, these products, particularly mutual funds and ETFs, lead to increased investments in companies listed on our global exchanges, which enhances our ability to attract new listings. We also license cash-settled options, futures and options on futures on our indexes.

At the end of 2012, NASDAQ OMX indexes were the basis for over 7,000 structured products with nearly $1.0 trillion of notional value. NASDAQ OMX indexes are now the basis for 97 exchange traded products with over $55.0 billion in assets under management. Our flagship index, the NASDAQ-100 Index, includes the top 100 non-financial securities listed on The NASDAQ Stock Market.

During 2012, the Global Index Group launched the first phase of the NASDAQ Global Index Family, which includes approximately 4,000 indexes. The NASDAQ Global Index Family represents more than 98% of the global equity investable marketplace. The family consists of global securities broken down by market segment, region, country, size and sector. The NASDAQ Global Index Family covers 45 countries and 9,000 securities with a combined float-adjusted market capitalization of over $32 trillion.

In December 2012, NASDAQ OMX acquired the index business of Mergent, Inc., including Indxis. Mergent is an established index provider and a renowned supplier of business and financial data on global publically listed companies. With this acquisition, NASDAQ OMX Global Indexes became one of the largest providers of dividend-themed indexes based on benchmarked assets and further enhanced its custom index offering capabilities and services.

Market Technology

Powering more than 70 marketplaces in over 50 developed and emerging countries, we are the world s leading technology solutions provider and partner to exchanges, clearing organizations and central securities depositories. We also provide surveillance technology to 11 regulators and 71 brokers world-wide. Our technology business is also the sales channel for our complete global offering to other marketplaces.

Technology Solutions. The systems solutions we offer support 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.

NASDAQ OMX s technology solutions are utilized by, among others, the Australian Securities Exchange, ICAP, Bolsa de Valores de Colombia, Egypt Stock Exchange, Hong Kong Exchanges and Clearing, SIX Swiss Exchange, Singapore Exchanges, Tokyo Commodity Exchange, Osaka Securities Exchange and SBI Japannext.

Our trading and market data solutions are utilized by exchanges, alternative-trading venues, banks and securities brokers with marketplace offerings of their own. In the post-trade stage, we offer integrated systems solutions for clearing (risk management) and settlement (settlement and delivery) of both cash equities and derivatives to clearing organizations around the world.

Systems Integration, Operation and Support. A central part of many projects is facility management and systems integration. Through our integration services, we can assume total responsibility for projects involving migration to a new system and the establishment of entirely new marketplaces. We also offer operation and support for the applications, systems platforms, networks and other components included in a turn-key information technology solution. By transferring the operation and support of systems to us, the customer can focus on its core operations and reduce its operational risk level. At the same time, economies of scale can be achieved, by allowing the customer access to existing, effective technology and infrastructure.

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Advisory Services. Our advisory services are designed to support our customers strategies and help them with critical decisions in a highly demanding business environment. Operating our own exchanges and partnering with global marketplaces, we continually gain insight on developments in the financial world. We understand first-hand how marketplaces operate, the challenges they face and the complex technology infrastructures that support them. Our consultants have deep experience in strategy, operations and change management, and are backed by the combined knowledge of NASDAQ OMX as well as a network of external experts in the exchange industry.

Broker Solutions. SMARTS Broker is a managed service designed for brokers and other market participants to assist them in complying with market rules, regulations and internal market surveillance policies. Delivered via a browser based application, SMARTS Broker is fast to implement, requires no on-site installation or maintenance, and comes with little or no hardware costs. This service covers 50 markets world-wide.

Core Technology. Technology plays a key role in ensuring the growth and reliability of financial markets. At NASDAQ OMX, we are committed to innovation through technology to ensure our position as a driving force in the exchange industry and to provide the best possible trading experience for our customers and investors. Investment decisions are made based on customer needs and general market trends. In 2012, NASDAQ OMX established an enterprise-wide operational excellence program to strengthen the way we develop, deploy and maintain technology products in the marketplace.

We continuously improve our core technology with a focus on reducing latency and improving capacity and reliability. NASDAQ OMX s trading technology is capable of handling multi-million messages per second at an average speed of sub-55 microseconds, currently one of the fastest of any exchange or alternative trading system in the world.

The foundation for NASDAQ OMX s core technology is INET. The INET technology is used across NASDAQ OMX s U.S. and European markets. INET is also a key building block of our Market Technology offerings, Genium INET and X-stream INET. Genium INET and X-stream INET both combine innovative functionality with a modular approach to manage change and create new advantages for existing and new customers.

Intellectual Property

We own or have licensed rights to trade names, trademarks, domain names and service marks that we use in conjunction with our operations and services. We have registered many of our most important trademarks in the United States and in foreign countries. For example, our primary NASDAQ mark is a registered trademark in the United States and in over 50 other countries worldwide and the OMX trademark also has been registered worldwide. We also have trademark registrations for the most important trade names of NASDAQ OMX Nordic and our operations in Europe. Many of these trademarks are registered in a number of countries. Examples of registered trademarks used in our European operations include: OMX, GENIUM, Genium INET, SECUR, CLICK XT and EXIGO.

To support our business objectives and benefit from our investments in research and development, we actively seek protection for our innovations by filing patent applications to protect inventions arising from investments in products, systems, software and services. We believe that our patents and patent applications are important for maintaining the competitive differentiation of our products, systems, software and services, enhancing our ability to access technology of third parties and maximizing our return on research and development investments.

Over time, we have accumulated a robust portfolio of issued patents in the U.S., Europe and in other parts of the world. We currently hold rights to patents relating to certain aspects of products, systems, software and services, but we primarily rely on the innovative skills, technical competence and marketing abilities of our personnel. Hence, no single patent is in itself essential to us as a whole or any of our principal business areas.

We also maintain copyright protection in our NASDAQ-branded materials.

Competition

Market Services. The cash equity securities markets are intensely competitive. We compete in the U.S. against NYSE Euronext, BATS Global Markets, Direct Edge, regional exchanges and ATSs. In Europe, our major competitors include NYSE Euronext, Deutsche Börse, the London Stock Exchange Group plc, or LSE, the Spanish Exchanges, SIX Swiss Exchange, and multilateral trading facilities, or MTFs, such as Chi-X and BATS Europe, which are similar to U.S. ATSs. Competition also comes from broker-dealers and from off-board, or OTC trading, in the U.S. and elsewhere.

In bond trading, we compete in Europe with alternative marketplaces such as EuroMTS Limited. For derivatives products, competition comes in the form of trading and clearing that takes place OTC, usually through banks and brokerage firms, or through trading and clearing competition with other exchanges. The competitive significance in Europe of these varied alternative trading venues is likely to increase in the future, with the regulatory environment in Europe becoming more favorable to alternative trading venues as a result of the reforms required by the Markets in Financial Instruments Directive, or MiFID, and a broader effort to increase competition in financial services.

Competition is based on a number of factors, including the quality of our technological and regulatory infrastructure, total transaction costs, the depth and breadth of liquidity, the quality of value-added customer services, reputation and the direct cost of trade execution.

Cash equity securities trading. The U.S. marketplace continues to evolve as the number of exchanges increases and less heavily regulated broker-owned trading systems and ATSs, known collectively as dark pools, expand in number and activity. While many of the new entrants may have limited liquidity, some may attract significant levels of cash equity order volume through aggressive pricing, through interconnections with other systems, and from volume originating with broker-dealer owners and investors. In 2012, broker-dealer owned systems continued the rapid growth that began in 2009. In addition, there remains interest in electronic trading systems specializing primarily in large block trades, such as LiquidNet and Investment Technology Group s POSIT platform. During 2010, three new exchange competitors to NASDAQ OMX appeared. No new U.S. exchanges were launched or received approval in 2011 or 2012. However, NASDAQ OMX continues to face fierce competition from all trading venues for market share.

Regulatory events also could result in significant changes in the competitive landscape. In June 2012, the SEC approved a plan for FINRA and the national securities exchanges to institute a limit up-limit down system designed to reduce short-term volatility in equity trading by preventing trades in individual exchange-listed stocks from occurring outside of a specified price band. The plan is expected to be implemented in 2013 with the intention of replacing the single stock trading pauses currently in place. These regulations stem from the 2010 SEC concept release on market structure issues as well as the events of the May 6, 2010 flash crash. In July 2012, the SEC voted to require national securities exchanges and FINRA to establish a market-wide consolidated audit trail (CAT) to improve regulators ability to monitor trading activity. We are currently working with FINRA and the other national securities exchanges to develop a plan to create a consolidated audit trail. Any potential rules concerning halting trading during volatile markets, market access, algorithmic (high-frequency) trading, alternative trading systems (such as dark pools), and other market structure issues could change the competitive landscape by helping or hurting NASDAQ OMX or its competitors business models.

In December 2012, IntercontinentalExchange, or ICE, announced plans to acquire NYSE Euronext. The deal is expected to close in the second half of 2013, subject to regulatory and shareholder approvals. Should the proposed transaction be completed, ICE has indicated its intent to spin off Euronext via an IPO. This transaction has the potential to affect the competitive environment we face in both the U.S. and Europe.

The European landscape is continuing to adapt to the competitive forces released by MiFID in November 2007. Throughout Europe, new MTFs have been created with the most prominent MTFs (Chi-X, Turquoise, and BATS) based in the United Kingdom and attracting a significant share of electronically matched volume. In 2012, BATS completed its acquisition of Chi-X Europe and currently operates both platforms independently but under common ownership. MTFs continue to grow their business in shares listed on our Nordic exchanges. Trade reporting alternatives to incumbent exchanges, such as Markit BOAT, also continue to be active. Electronic trading systems interested in pursuing block business have long been active in Europe and are looking to grow their businesses. In the Nordics, the Burgundy MTF grew modestly in 2010 but contracted slightly in both 2011 and 2012 and was acquired by the Oslo Borse in 2012. These entrants pursue many of the same strategies to attract order flow as do ATSs in the U.S., which include attractive pricing, participant investment, technological innovation and pursuit of exchange status. Because of the success of the new entrants, incumbent exchanges have lowered prices, adopted new technology, and prepared to compete aggressively for trading volumes and revenue. While the state of competition in Europe remains evolutionary, the level of competition faced by incumbent national exchanges will remain intense.

As a result of the conditions in the U.S. and Europe, we experience competition in our core trading activities such as execution services, quoting and trading capabilities, and reporting services. Many of our competitors have engaged in aggressive price competition by reducing the trade execution transaction fees they charge their customers. As a result of this competition, we significantly reduced the trade execution transaction fees we charge our customers in the past, particularly our large-volume customers. We periodically reexamine our pricing structure to ensure that our fees remain competitive.

Derivatives. Our principal competitors for trading options in the U.S. include the Chicago Board Options Exchange, or CBOE, the International Securities Exchange, or ISE, NYSE ARCA, NYSE Amex, BATs Options, C2 Options Exchange and the BOX Options Exchange. Competition is focused on providing market participants with greater functionality, trading system stability, customer service, efficient pricing, and speed of execution. NASDAQ OMX operates three options exchanges with different market structures. NASDAQ OMX PHLX operates a customer priority, pro-rata hybrid electronic and floor based exchange and competes most directly with CBOE, ISE, NYSE Arca and NYSE Amex. The NASDAQ Options Market operates a price/time priority exchange and competes most directly with NYSE ARCA and BATS Options. On June 29, 2012, NASDAQ OMX launched NASDAQ OMX BX Options, its third options platform. NASDAQ OMX BX Options supports multiple allocation and priority models, including

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price/time priority and customer priority with pro rata execution allocation. Miami International Holdings, Inc. received approval to launch MIAX Options Exchange, a fully electronic options platform, and did so in December 2012. The further intensifying of competition for exchange traded options means that we must continuously review our technology and pricing.

MiFID does not address competition between derivatives markets to the extent that it addresses cash equities trading and consequently has been slower to affect competition in trading derivative securities. In 2012, NASDAQ OMX agreed to acquire a 25% stake in TOM, which competes with NYSE Euronext for trading single stock derivatives in the Netherlands. As of the end of 2012, TOM s market share was 15%. Exchange based competition for trading in European derivatives continues to occur mainly where there is competition in trading for the underlying equities and our competition for options on European equities is primarily with EUREX Group, or EUREX, NYSE Liffe, EDX London Limited and, to a limited extent, the U.S. options exchanges. Such competition is limited to options on a small number of equity securities although these securities tend to be among the most active. In addition to exchange based competition in derivatives, we continue to face competition from OTC derivative markets.

As trading in Europe evolves under the current review of the original MiFID legislation, competition for trading volumes in derivatives will likely increase. Both current and potential competition require us to constantly reassess our pricing and product offerings in order to remain competitive.

Clearing. In both the U.S. and Europe, cash equity clearing has been organized along national lines. Typically, a single clearinghouse would serve essentially all cash equity trading involving securities listed on exchanges within a nation s borders. Some countries, such as Sweden, did not have a clearinghouse until 2009. In some countries, such as the U.S., the clearinghouse is part of the same organization as the central securities depository. In some, such as Germany, the clearinghouse and the stock exchange are part of the same corporate structure, and in others, such as the U.K., the clearinghouse, exchange, and central securities depository are separate. Furthermore, there is a much shorter history of using CCP services in European clearing than in the U.S.

At this time, competition in clearing in Europe remains limited with a few new non-national clearinghouses such as EMCF, X-Clear and EuroCCP serving non-national MTFs or offering alternative clearing facilities for trades executed on incumbent exchanges. However, competition is altering the clearing business in Europe in response to the European Code of Conduct in Clearing and Settlement.

In the U.S., competition in equity clearing has been legislatively called for since 1975 but only recently have technological advances made competitive clearing in the U.S. a viable possibility. Should clearing competition become a reality in the U.S., it may have an impact on equity trading and on our business as clearing is a non-trivial cost of trade execution.

Market data services. The market data business in the U.S. includes both consolidated and proprietary data products. Consolidated data products are distributed by SEC-mandated consolidators (one for NASDAQ-listed stocks and another for NYSE and other-listed stocks) that share the revenue among the exchanges that contribute data. Proprietary data products are made up exclusively of data derived from each exchange s systems. In Europe, all market data products are proprietary as there is no official data consolidator.

Our revenues from the sale of consolidated market data products and services are under competitive threat from other securities exchanges that trade NASDAQ-listed securities. Current SEC regulations permit these regional exchanges and FINRA s Alternative Display Facility to quote and trade NASDAQ-listed securities. Trade reporting facilities regulated by FINRA are also operated by The NASDAQ Stock Market and other exchanges. The UTP Plan entitles these exchanges, FINRA s Alternative Display Facility, and the trade reporting facilities to a share of UTP Plan tape fees, based on the formula required by Regulation NMS that takes into account both trading and quoting activity. In addition, The NASDAQ Stock Market similarly competes for the tape fees from the sale of information on NYSE and NYSE MKT-listed securities for those respective tape plans.

Participants in the tape plans have used tape fee revenues to establish payment for order flow arrangements with their members and customers. In January 2004, we implemented a new tiered pricing structure and the Nasdaq General Revenue Sharing Program, which provided incentives for quoting market participants to send orders and report trades to The NASDAQ Stock Market. We continuously evaluate and refine both programs. To remain competitive, in July 2006 and in January 2008, we changed the terms of the program and established a new Nasdaq Data Revenue Sharing Program. In December 2010, we again changed the terms of the program which were effective January 2011. We may adjust either program in the future to respond to competitive pressures.

The sale of our proprietary data products in both the U.S. and Europe is under competitive threat from alternative exchanges and trading venues that offer similar products, sometimes at a lower price or free of charge. Our market data business competes with other exchanges and third party vendors in providing information to market participants. Consequently, our data products must be competitive in speed, reliability, content and price to succeed in the marketplace. New exchanges and trading systems entering the market have recognized the strong connection between market data and transactions volume, and new entrants typically price their market data very aggressively in order to grow transactions volume, thereby limiting our flexibility in pricing market data. Any action by a market participant to provide information to another exchange or market data vendor could have a negative impact on our data products. The market data business must also adapt to rapidly changing information delivery technologies and constantly invest in

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innovative product design and development. Other market data providers may not face the regulatory obligations we face and may consequently be more flexible in pricing and more agile in deploying new products and business methods to our detriment. The growth of the number of proprietary data feeds offered by NASDAQ OMX and other exchanges has also increased the reluctance of some data vendors to add new feeds to their product offerings which further complicates exchanges efforts to expand their market data offerings.

Listings. Our primary competitor for larger company listings in the U.S. is NYSE. The NASDAQ Stock Market also competes with NYSE MKT for listing of smaller companies. In early 2012, BATS announced its first primary listings which are currently limited to ETFs. DirectEdge has announced its intention to compete for listings in the future. The NASDAQ Stock Market also competes with local and overseas markets for listings by companies that choose to list outside of their home country.

The listings business in Europe is characterized by the large number of exchanges competing for new or secondary listings. Each country has one or more national exchanges that are often the first choice of companies in the respective countries. For those considering an alternative, the European exchanges that attract the most overseas listings are LSE, NYSE Euronext, Deutsche Börse and the exchanges that comprise NASDAQ OMX Nordic. In addition to the larger exchanges, companies are able to consider smaller markets and quoting facilities, such as LSE s Alternative Investment Market, Euronext s Alternext, Deutsche Börse s Entry Standard, Borsa Italiana s Expandi Market, PLUS Markets plc, the Pink Sheets LLC and the Over-the-Counter Bulletin Board, or OTCBB. Other exchanges in Sweden include the Nordic Growth Market and Aktietorget, which primarily serve companies with small market capitalizations.

Indexes. The NASDAQ Stock Market is subject to intense competition for the listing of financial products from other exchanges. The indexes on which these products are based face competition from indexes created by a large number of index providers. For example, there are a number of indexes that aim to track the technology sector and thereby compete with the NASDAQ-100 Index and the NASDAQ Composite Index. We face competition from investment banks, dedicated index providers, markets and other product developers in designing products that meet investor needs.

Market Technology. The traditional model, where each exchange or exchange-related business developed its own technology internally sometimes aided by consultants, is evolving as many operators recognize the enormous cost savings made possible by buying technology already developed. Two types of competitors are emerging: other exchanges providing solutions, including NYSE Euronext and LSE, and pure technology providers focused on the exchange industry. These organizations offer a range of off-the-shelf technology including trading, clearing, settlement, depository and information dissemination. They also offer customization and operation expertise. NASDAQ OMX provides technology to over 70 exchanges, clearing organizations and central securities depositories worldwide and provides compliance services through its subsidiary SMARTS.

Regulation

We are subject to extensive regulation in the United States and Europe.

U.S. Regulation

U.S. federal securities laws establish a two-tiered system for the regulation of securities markets, market participants and listed companies. The SEC occupies the first tier and has primary responsibility for enforcing the federal securities laws. Self-regulatory organizations, or SROs, which are non-governmental organizations, occupy the second tier. SROs, such as national securities exchanges, are registered with the SEC and are subject to the SEC s extensive regulation and oversight.

This regulatory framework applies to our U.S. business in the following ways:

- regulation of our registered national securities exchanges; and
- regulation of our U.S. broker-dealer subsidiaries.

The rules and regulations that apply to our business are focused primarily on safeguarding the integrity of the securities markets and of market participants and investors generally. These rules and regulations are not focused on the protection of our stockholders, although we believe that regulation improves the quality of exchanges and, therefore, our company. U.S. federal securities laws and the rules that govern our operations are subject to frequent change.

Regulation of U.S. Exchanges. SROs in the securities industry are an essential component of the regulatory scheme of the Securities Exchange Act of 1934, or the Exchange Act, for providing fair and orderly markets and protecting investors. The Exchange Act and the rules thereunder impose on the SROs many regulatory and operational responsibilities, including the day-to-day responsibilities for market and broker-dealer oversight. In general, an SRO is responsible for regulating its members through the adoption and enforcement of rules and regulations governing the business conduct of its members.

With the registration of The NASDAQ Stock Market as a national securities exchange in 2006, we received our own SRO status through our exchange subsidiary, separate from that of FINRA. With the acquisitions of PHLX and BSX, we acquired additional SRO licenses. As SROs, each entity has separate rules pertaining to its broker-dealer members and listed companies. Broker-dealers that choose to become members of The NASDAQ Stock Market, NASDAQ OMX PHLX, and/or NASDAQ OMX BX are subject to the rules of those exchanges. Broker-dealers may also choose other SRO memberships, including membership in FINRA.

All of our U.S. national securities exchanges are subject to SEC oversight, as prescribed by the Exchange Act, including periodic and special examinations by the SEC. Our exchanges also are potentially subject to regulatory or legal action by the SEC or other interested parties at any time in connection with alleged regulatory violations. We are also subject to Section 17 of the Exchange Act, which imposes record-keeping requirements, including the requirement to make records available to the SEC for examination. We have been subject to a number of routine reviews and inspections by the SEC or external auditors in the ordinary course and because of settlements with the SEC. To the extent such actions or reviews and inspections result in regulatory or other changes, we may be required to modify the manner in which we conduct our business, which may adversely affect our business.

Section 19 of the Exchange Act provides that our exchanges must submit to the SEC proposed changes to any of the SROs rules, practices and procedures, including revisions to provisions of our certificate of incorporation and by-laws that constitute SRO rules. The SEC will typically publish the proposal for public comment, following which the SEC may approve or disapprove the proposal, as it deems appropriate. The SEC s action is designed to ensure that applicable SRO rules and procedures are consistent with the aims of the Exchange Act and its rules and regulations. In addition, pursuant to the requirements of the Exchange Act, our exchanges must file all proposals to change their pricing structure with the SEC.

NASDAQ OMX currently operates three cash equities and three options markets in the United States. We operate The NASDAQ Stock Market and The NASDAQ Options Market pursuant to The NASDAQ Stock Market s SRO license; NASDAQ OMX BX and NASDAQ OMX BX Options pursuant to NASDAQ OMX BX s SRO license; and NASDAQ OMX PSX and the NASDAQ OMX PHLX options market pursuant to NASDAQ OMX PHLX s SRO license. In addition, NASDAQ OMX BX regulated the BOX Market, pursuant to a regulatory services agreement between a subsidiary of NASDAQ OMX BX and BOX. NASDAQ OMX did not have an ownership interest in BOX, and BOX compensated NASDAQ OMX BX based on the cost of the regulatory services provided to BOX. Under the terms of the regulatory services agreement, NASDAQ OMX BX s services for the BOX Market terminated for trades occurring after May 11, 2012. BOX became its own SRO on May 14, 2012. NASDAQ OMX BX will continue to provide regulatory services for trades occurring prior to the termination date until all regulatory matters related to these trades have been resolved.

FINRA provides regulatory services to the markets operated or regulated by The NASDAQ Stock Market, NASDAQ OMX PHLX and NASDAQ OMX BX, including the regulation of trading activity and surveillance and investigative functions. We have a limited direct regulatory role in conducting real-time market monitoring, certain options surveillance, rulemaking and some membership functions through our MarketWatch department. We refer suspicious trading behavior discovered by our regulatory staff and all other employees of the markets operated or regulated by The NASDAQ Stock Market, NASDAQ OMX PHLX and NASDAQ OMX BX to FINRA for further investigation.

Regulatory Audit. Prior to our acquisition of BSX, BSX was issued an administrative order by the SEC in September 2007. Pursuant to the order, BSX agreed to comply with certain undertakings, one of which was to retain a third-party auditor to conduct a comprehensive audit of BSX s surveillance, examination, investigation and disciplinary programs. BSX also undertook to include the audit opinion in its annual report. Since neither BSX nor its successor entity NASDAQ OMX BX prepares an annual report, the report of the regulatory auditor, Katten Muchin Rosenman LLP, which was dated January 7, 2013, is included below.

The Nasdaq OMX BX, Inc. (Nasdaq or the Exchange) retained Katten Muchin Rosenman LLP (Katten) as a third-party auditor to fulfill an undertaking with the Securities and Exchange Commission (the Commission), made pursuant to an administrative order (the Order) originally issued against the Boston Stock Exchange (BSE) in September 2007.[1] The Order required the third-party auditor to provide an audit opinion as to its assessment of the Exchange s surveillance, examination, investigation and disciplinary programs.[2] We are writing at this time to provide our audit opinion as required by the Order.

As noted above, the Order was originally issued against the BSE. The Order detailed violations of customer priority rules committed by specialist participant firms on the trading floor of the BSE between 1999 and 2004 involving the BEACON trading system. In 2008, Nasdaq acquired all of the outstanding membership interest in the BSE and its two subsidiaries, Boston Options Exchange Regulation, L.L.C. and the BSE Clearing Corporation. Although the activities detailed by the Order had no relation to Nasdaq (other than through Nasdaq s acquisition of BSE), Nasdaq proceeded with third-party audits of the Boston Options Exchange (BOX) and the equities platform of Nasdaq OMX BX (which commenced operations in January 2009).

The Order required the third-party auditor to conduct an initial audit and a second audit two years after the date of the initial audit. The third-party auditor was to evaluate certain aspects of the Exchange including the surveillance, examination, investigation and disciplinary programs of the Exchange. As well, the Order required the third-party auditor to evaluate the Exchange s testing process of the Exchange s automated surveillance systems to analyze the effectiveness of such surveillance systems.(3)

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Katten completed the first round of audits in 2010 and issued confidential reports concerning the surveillance, examination, investigation and disciplinary programs of BOX on June 29, 2010 and the equities platform of Nasdaq OMX BX on July 30, 2010 (collectively, the Audit Reports). The field work for the audits was conducted between November 2009 through March 2010 (Audit Period). An additional report assessing the testing process and surveillance quality assurance for Nasdaq OMX BX for equities was issued in February 2012 by a technology consultant. While field work for the technology review of BOX began in February 2012, the work was terminated when BOX ceased to be a facility of the Exchange in April 2012.[4]

Based on the scope of our audit and our considerations of the assessments set forth in our confidential Audit Reports and other such matters as we have deemed appropriate, we have concluded that notwithstanding certain observations and weaknesses that we have identified, including those set forth in the Audit Reports, Nasdaq OMX BX s policies and procedures were reasonably designed and effective to detect and deter violations of the applicable federal securities laws and Exchange rules relating to trading on the Exchange during the Audit Period.

We recognize that no regulator can provide total assurance that violations of federal securities laws and Exchange rules relating to trading will be detected by surveillance systems and examinations. Also, the continued reasonableness of design and effectiveness of the Exchange s policies and procedures after the Audit Period is subject to the risk that the Exchange s policies and procedures may become inadequate or ineffective due to changes in business conditions or regulatory requirements or that the degree of compliance with such policies and procedures may decline.

The conclusion expressed in this letter is as of the date hereof. We assume no obligation to update, revise, or supplement this letter, nor to communicate further with or advise you with respect to any matter covered herein or any change, development, occurrence, circumstance, or condition in respect of any such matter. This letter is furnished solely to you in connection with the matters covered herein. This letter may not be used, relied upon, disclosed, circulated, published, communicated, made available, quoted, or referred to, by or to any other person, for any other purpose, or in connection with any other agreement, document, transaction or matter without the prior written consent of the undersigned.

(1) Securities Exchange Act Release No. 34-56352 (Sept. 5, 2007).
(2) The Order states that [n]o later than 45 days after each audit is concluded, BSE shall require the auditor to submit an audit opinion as to its assessment of the BSE s surveillance, examination, investigation and disciplinary programs to the BSE s Board of Governors and to the following officers at the Commission : (i) the Director of OCIE; (ii) the Director of the Division of Market Regulation; and (iii) the Director of the Boston Regional Office. The Order at 9.
(3) The Order required the auditor to evaluate the BSE s live testing process, to be conducted during non-trading hours, of the BSE s automated surveillance systems using simulated trading data that includes data suggesting possibly abusive trading instances, including an analysis of the effectiveness of such surveillance systems when tested against the simulated trading patterns. Order at 8.
(4) The BOX Options Exchange LLC received approval from the Commission as a national securities exchange on April 27, 2012. Securities Exchange Act Release No. 66871 (April 27, 2012).

Broker-dealer regulation. NASDAQ OMX s broker-dealer subsidiaries are subject to regulation by the SEC, the SROs and the various state securities regulators. Nasdaq Execution Services, LLC currently operates as our routing broker for sending orders from The Nasdaq Stock Market, NASDAQ OMX BX and NASDAQ OMX PSX to other venues for execution. NASDAQ Options Services, LLC performs a comparable function with respect to routing of orders from The NASDAQ Options Market, NASDAQ OMX BX Options and NASDAQ OMX PHLX.

Nasdaq Execution Services is registered as a broker-dealer with the SEC and in all 50 states, the District of Columbia and Puerto Rico. It is also a member of The NASDAQ Stock Market, NASDAQ OMX BX, NASDAQ OMX PHLX, BATS-Y Exchange, BATS-Z Exchange, CBOE, Chicago Stock Exchange, EDGA Exchange, EDGX Exchange, FINRA, National Stock Exchange, NYSE, NYSE MKT and NYSE Arca.

NASDAQ Options Services is registered as a broker-dealer with the SEC and in all 50 states, the District of Columbia and Puerto Rico. It is also a member of The NASDAQ Stock Market , NASDAQ OMX PHLX, NASDAQ OMX BX Options, BATS-Z Exchange, BOX, CBOE, C2 Options Exchange, FINRA, ISE, NFA, Miami International Stock Exchange, NYSE MKT and NYSE Arca.

The SEC, NYSE and FINRA adopt rules and examine broker-dealers and require strict compliance with their rules and regulations. The SEC, SROs and state securities commissions may conduct administrative proceedings which can result in censures, fines, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, its officers or employees. The SEC and state regulators may also institute proceedings against broker-dealers seeking an injunction or other sanction. The SEC and SRO rules cover many aspects of a broker-dealer s business, including capital structure and withdrawals, sales methods, trade practices among broker-dealers, use and safekeeping of customers funds and securities, record-keeping, the financing of customers purchases, broker-dealer and employee registration and the conduct of directors, officers and employees. All broker-dealers have an SRO that is assigned by the SEC as the broker-dealer s designated examining authority, or DEA. The DEA is responsible for examining a broker-dealer for compliance with the SEC s financial responsibility rules. FINRA is the current DEA for both Nasdaq Execution Services and NASDAQ Options Services.

As registered broker-dealer subsidiaries, Nasdaq Execution Services and NASDAQ Options Services are subject to regulatory requirements intended to ensure their general financial soundness and liquidity, which require that they comply with certain minimum capital requirements. The SEC and FINRA impose rules that require notification when net capital falls below certain predefined criteria, dictate the ratio of debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the Uniform Net Capital Rule and FINRA rules impose certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC and FINRA for certain withdrawals of capital.

As of December 31, 2012, NASDAQ Execution Services and NASDAQ Options Services were in compliance with all of the applicable capital requirements.

Regulatory contractual relationships with FINRA. The NASDAQ Stock Market, NASDAQ OMX PHLX, NASDAQ OMX PSX and NASDAQ OMX BX have signed a series of regulatory service agreements covering the services FINRA provides to the respective SROs. Under these agreements, FINRA personnel act as our agents in performing the regulatory functions outlined above, and FINRA bills us a fee for these services. These agreements have enabled us to reduce our headcount while ensuring that the markets for which we are responsible are properly regulated. However, our SROs retain ultimate regulatory responsibility for all regulatory activities performed under these agreements by FINRA. In addition, our options markets have entered into a joint agreement with the other options exchanges for conducting insider trading surveillance. Our SROs continue to monitor the activities conducted under the agreement and continue to have regulatory responsibility in this area.

Exchange Act Rule 17d-2 permits SROs to enter into agreements, commonly called Rule 17d-2 agreements, approved by the SEC with respect to enforcement of common rules relating to common members. Our SROs have entered into several such agreements under which FINRA assumes regulatory responsibility for specifics covered by the agreement:

- agreements with FINRA covering the enforcement of common rules, the majority of which relate to the regulation of The NASDAQ Stock Market, NASDAQ OMX BX and the members of these exchanges;
- joint industry agreements with FINRA covering responsibility for enforcement of insider trading rules;
- joint industry agreement with FINRA covering enforcement of rules related to cash equity sales practices and certain other non-market related rules; and
- joint industry agreement covering enforcement of rules related to options sales practices.

Regulation NMS and Options Intermarket Linkage Plan. We are subject to Regulation NMS for our cash equities markets, and our options markets have joined the Options Intermarket Linkage Plan. These are designed to facilitate the routing of orders among exchanges to create a national market system as mandated by the Exchange Act. One of the principal purposes of a national market system is to assure that brokers may execute investors orders at the best market price. Both Regulation NMS and the Options Intermarket Linkage Plan require that exchanges avoid trade-throughs, locking or crossing of markets and provide market participants with electronic access to the best prices among the markets for the applicable cash equity or options order.

CFTC Regulation. With the acquisition of PHLX, we also acquired its subsidiary, NFX (formerly the Philadelphia Board of Trade), a designated contract market under the Commodity Exchange Act. As a designated contract market, NFX is subject to regulatory oversight by the CFTC, an independent agency with the mandate to regulate commodity futures and option markets in the U.S. NFX currently lists futures contracts for spot gold. The National Futures Association, or NFA, and The Options Clearing Corporation provide certain regulatory services to NFX pursuant to regulatory services agreements.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, also has resulted in increased CFTC regulation of some of our subsidiaries outside the United States and their customers.

Energy Commodity Regulation. Our subsidiary NOCC is regulated as a power marketer by the Federal Energy Regulatory Commission (for transactions in every state but Texas) and the Public Utility Commission of Texas (for transactions in Texas).

European Regulation

Regulation of our markets in the European Union and EEA focuses on issues relating to financial services, listing and trading of securities and market abuse. At the end of 2012, new regulations relating to CCP services and OTC derivatives transactions were adopted that will affect our clearinghouses in Europe. As the regulatory environment continues to change and related opportunities arise, we intend to continue product development, and ensure that the exchanges and clearinghouses that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic maintain favorable liquidity and offer efficient trading.

Confidence in capital markets is paramount for trading to function properly. NASDAQ OMX Nordic carries out market regulation through an independent unit that is separate from the business operations. The surveillance work is organized into two functions: one for the listing of instruments and surveillance of companies (issuer surveillance) and one for surveillance of trading (trading surveillance). The real-time trading surveillance for the Finnish, Icelandic, Danish and Swedish markets has been centralized to Stockholm. In Iceland, the surveillance activities are carried out by specially appointed persons. In addition, there are special personnel who carry out surveillance activities at each of the three Baltic exchanges and at NASDAQ OMX Oslo ASA with respect to the trading of commodities derivatives. There are three surveillance committees at NASDAQ OMX Nordic, one at each NASDAQ OMX Nordic exchange in Sweden, Finland and Denmark. These committees have an advisory role in relation to surveillance matters. In Sweden and Finland, decisions to list new companies are made by the listing committees of the exchanges. In Denmark and Iceland, listing decisions are made by the President of the exchange, a duty delegated by the board of NASDAQ OMX Copenhagen and NASDAQ OMX Iceland, respectively.

If there is suspicion that a listed company or member has acted in breach of exchange regulations, the matter is dealt with by the market regulation division. Serious breaches are considered by the respective disciplinary committee in Sweden and Finland. In Denmark, all matters are dealt with by the surveillance department. In Iceland, enforcement committees handle all breaches of exchange regulations, while disciplinary committees handle the determination of fines. Suspected insider trading is reported to the appropriate authorities in the respective country or countries.

The entities that operate trading venues in the Nordic and Baltic countries are each subject to local regulation. In Sweden, general supervision of the exchange market operated by NASDAQ OMX Stockholm is carried out by the SFSA, while NASDAQ OMX Stockholm s role as CCP in the clearing of derivatives is overseen by the SFSA and the Swedish central bank, Riksbanken. Additionally, as a function of the Swedish two-tier supervisory model, certain surveillance in relation to the exchange market is carried out by us, acting through our surveillance division.

NASDAQ OMX Stockholm s exchange and clearing activities are regulated primarily by the Swedish Securities Markets Act 2007:528 (SSMA), which sets up basic requirements regarding the board of the exchange or clearinghouse and its share capital, and which also outlines the conditions on which exchange and clearing licenses are issued. The SSMA also provides that any changes to the exchange s articles of association following initial registration must be approved by the SFSA.

In December 2012, the European Commission adopted nine implementing technical standards to complement the obligations defined under the European Markets Infrastructure Regulation (EMIR) which became effective in August 2012. As a consequence of EMIR, NASDAQ OMX Stockholm and all European CCPs will need to reauthorize their CCP operations.

With respect to ongoing operations, the SSMA requires exchanges to conduct their activities in an honest, fair and professional manner, and in such a way as to maintain public confidence in the securities markets. When operating a regulated market, an exchange must apply the principles of free access (i.e., that each person which meets the requirements established by law and by the exchange may participate in trading), neutrality (i.e., that the exchange s rules for the regulated market are applied in a consistent manner to all those who participate in trading) and transparency (i.e., that the participants must be given speedy, simultaneous and correct information concerning trading and that the general public must be given the opportunity to access this information). Additionally, the exchange operator must identify and manage the risks that may arise in its operations, use secure technical systems and identify and handle the conflicts of interest that may arise between the exchange or its owners interests and the interest in safeguarding effective risk management and secure technical systems. Similar requirements are set up by the SSMA and EMIR in relation to clearing operations.

The SSMA also contains the framework for both the SFSA s supervisory work in relation to exchanges and clearinghouses and the surveillance to be carried out by the exchanges themselves. The latter includes the requirement that an exchange should have an independent surveillance function with sufficient resources and powers to meet the exchange s obligations. That requires the exchange to, among other things, supervise trading and price information, compliance with laws, regulations and good market practice, participant compliance with trading participation rules, financial instrument compliance with relevant listing rules and the extent to which issuers meet their obligation to submit regular financial information to relevant authorities.

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The regulatory environment in the other Nordic and Baltic countries in which a NASDAQ OMX entity has a trading venue is broadly similar to the regulatory environment in Sweden. Since 2005, there has been a Memorandum of Understanding between the SFSA and the main supervisory authorities in Norway, Denmark and Finland, which looks to safeguard effective and comprehensive supervision of the exchanges comprising NASDAQ OMX Nordic and the systems operated by it, and to ensure a common supervisory approach.

Employees

As of December 31, 2012, NASDAQ OMX had 2,506 employees, including staff employed at consolidated entities where we have a controlling financial interest. Of the total employees, 1,123 were based in the U.S. and 1,383 were based outside of the U.S. None of our U.S. employees is subject to collective bargaining agreements or is represented by a union. Approximately 91 employees based in Denmark and Finland are covered by local union agreements.

NASDAQ OMX Website and Availability of SEC Filings

We file periodic reports, proxy statements and other information with the SEC. The public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (such as us). The address of that site is http://www.sec.gov.

Our website is www.nasdaqomx.com. Information on our website is not a part of this Form 10-K. We will make available free of charge on our website, or provide a link to, our Forms 10-K, Forms 10-Q and Forms 8-K and any amendments to these documents, that are filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. To access these filings, go to NASDAQ OMX s website and click on Investor Relations, then under Financial Information click on SEC Filings.

We use our website, www.nasdaqomx.com, as a means of disclosing material non-public information and for complying with disclosure obligations under Regulation FD.

Item 1A. Risk Factors.

The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. If any of the following risks actually occur, our business, financial condition, or operating results could be adversely affected.

Risks Relating to our Business

Our industry is highly competitive.

We face intense competition from other exchanges and markets for market share of trading activity and listings. In addition, our market data, global index, corporate solutions and market technology businesses face significant competition from other market participants. This competition includes both product and price competition and has continued to increase as a result of the creation of new execution and listing venues in the United States and Europe. Increased competition may result in a decline in our share of trading activity, listings and the markets for the products we offer, thereby adversely affecting our operating results.

The liberalization and globalization of world markets has resulted in greater mobility of capital, greater international participation in local markets and more competition. As a result, both in the U.S. and in other countries, the competition among exchanges and other execution venues has become more intense. In the last several years, many marketplaces in both Europe and the U.S. have demutualized to provide greater flexibility for future growth. The securities industry also has experienced consolidation, creating a more intense competitive environment. Regulatory changes, such as MiFID, also have facilitated the entry of new participants in the EU that compete with our European exchanges. The regulatory environment, both in the U.S. and in Europe, is structured to maintain this environment of intense competition. In addition, a high proportion of business in the securities markets is becoming concentrated in a smaller number of institutions and our revenue may therefore become concentrated in a smaller number of customers.

We also compete globally with other regulated exchanges and markets, ATSs, MTFs and other traditional and non-traditional execution venues. Some of these competitors also are our customers. Our exchange competitors include NYSE Euronext, LSE, Deutsche Börse, the Tokyo Stock Exchange, and a number of other exchanges in the U.S. and around the world. These exchanges offer a range of services comparable to those offered by our exchanges and generally compete with us in providing trade executions, trade reporting, market data, listings, regulation, index, and technology services. Public ATSs in the U.S. and MTFs in Europe are broker-dealer operated systems that offer trade execution services, typically at very low cost. Our competitors include Burgundy MTF in the Nordics. In London, two MTFs operated by BATS (Chi-X and BATS) and the Turquoise MTF operated by the LSE offer pan-European execution services in competition with our Nordic exchanges. Other competing execution venues include broker-dealer owned systems such as dark-pools and internalization engines that may or may not be registered as ATSs or MTFs. Like ATSs and MTFs, these venues also compete with us by offering low cost executions and differ from public ATSs and MTFs in the degree of transparency they offer and in restrictions on who may access these systems.

Competitors may develop market trading platforms that are more competitive than ours. Competitors may enter into strategic partnerships, mergers or acquisitions that could make their trading, listings, clearing or data businesses more competitive than ours. In December 2012, ICE announced plans to acquire NYSE Euronext. The deal is expected to close in the second half of 2013, subject to regulatory and shareholder approvals. Should the proposed transaction be completed, ICE has indicated intent to spin off Euronext via an IPO. This transaction has the potential to affect the competitive environment we face in both the U.S. and Europe. If we are unable to compete successfully in this environment, our business, financial condition and operating results will be adversely affected.

Price competition has affected and could continue to affect our business.

The securities trading industry is characterized by intense price competition. We have in the past lowered prices, and in the U.S., increased rebates for trade executions to attempt to gain or maintain market share. These strategies have not always been successful and have at times hurt operating performance. Additionally, we have also been, and may once again be, required to adjust pricing to respond to actions by competitors, which could adversely impact operating results. We are also subject to potential price competition from new competitors and from new and existing regulated markets and MTFs. We also compete with respect to the pricing of market data and with respect to products for pre-trade book data and for post-trade last sale data. In the future, our competitors may offer rebates for quotes and trades on their systems. If we are unable to compete successfully in respect to the pricing of our services and products, our business, financial condition and operating results may be adversely affected.

Economic conditions and market factors, which are beyond our control, may adversely affect our business and financial condition.

Our business performance is impacted by a number of factors, including general economic conditions in both the U.S. and Europe, market volatility, and other factors that are generally beyond our control. Although access to credit markets has improved, a long-term continuation of challenging economic conditions, or a worsening situation in Europe, is likely to negatively impact our business. Adverse market conditions could reduce customer demand for our services and the ability of our customers, lenders and other counterparties to meet their obligations to us. Poor economic conditions may result in a decline in trading volume, deterioration of the economic welfare of our listed companies and a reduction in the demand for our products, including our market data, indexes, corporate solutions and market technology. Trading volume is driven primarily by general market conditions and declines in trading volume may affect our market share and impact our pricing.

The number of listings on our markets is primarily influenced by factors such as investor demand, the global economy, available sources of financing, and tax and regulatory policies. Adverse conditions may jeopardize the ability of our listed companies to comply with the continued listing requirements of our exchanges.

Market data revenues also may be significantly affected by global economic conditions. Professional subscriptions to our market data are at risk if staff reductions occur in financial services companies, which could result in significant reductions in our market data professional user revenue. In addition, adverse market conditions may cause reductions in the number of non-professional investors with investments in the market.

A reduction in trading volumes, market share of trading, the number of our listed companies and a decline in market data revenue due to economic conditions or other market factors could adversely affect our business, financial condition and operating results.

A decline in trading and clearing volume will decrease our trading and clearing revenues.

Trading and clearing volumes are directly affected by economic, political and market conditions, broad trends in business and finance, unforeseen market closures or other disruptions in trading, the level and volatility of interest rates, inflation, changes in price levels of securities and the overall level of investor confidence. In recent years, trading and clearing volumes across our markets have fluctuated significantly depending on market conditions and other factors beyond our control. Current initiatives being considered by regulators and governments, such as restrictions on algorithmic (high-frequency) trading, could have a material adverse effect on overall trading and clearing volumes. Because a significant percentage of our revenues is tied directly to the volume of securities traded and cleared on our markets, it is likely that a general decline in trading and clearing volumes would lower revenues and may adversely affect our operating results if we are unable to offset falling volumes through our pricing. Declines in trading and clearing volumes may also impact our market share or pricing structures and adversely affect our business and financial condition.

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Our market share of trading has declined and may continue to decline.

Our matched market share in NASDAQ-listed securities executed on NASDAQ declined from 46.1% in 2007 to 25.6% in 2012 and our combined matched market share in all U.S.-listed securities executed on all of our platforms declined from 29.1% in 2007 to 20.8% in 2012. In addition, as a result of the adoption of MiFID, a number of MTFs have launched, thereby significantly increasing competition in Europe. As a result, our matched market share in securities listed on our exchanges comprising NASDAQ OMX Nordic and NASDAQ OMX Baltic has declined from 100% in 2007 to 68.7% in 2012.

If our total market share in these securities continues to decrease relative to our competitors, our venues may be viewed as less attractive sources of liquidity. If growth in overall trading volume of these securities does not offset continued declines in our market share, or if our exchanges are perceived to be less liquid, then our business, financial condition and operating results could be adversely affected.

Since some of our exchanges offer clearing services in addition to trading services, a decline in market share of trading could lead to a decline in clearing revenues. Declines in market share also could result in issuers viewing the value of a listing on our exchanges as less attractive, thereby adversely affecting our listing business. Finally, declines in market share of NASDAQ-listed securities could lower NASDAQ s share of tape pool revenues under the consolidated data plans, thereby reducing the revenues of our market data business.

We may experience losses and liabilities as a result of systems issues that arose during the Facebook, Inc. IPO.

In connection with the IPO by Facebook on May 18, 2012, systems issues were experienced at the opening of trading of Facebook shares. Certain of our members may have been disadvantaged by such systems issues, which have subsequently been remedied. We have announced a program for voluntary accommodations to qualifying members of up to $62 million, subject to approval by the SEC. As a result of the systems issues, we have been sued by retail investors and trading firms in certain putative class actions, many of which have been consolidated into one action, asserting negligence claims and violations of Rule 10b-5, promulgated under the Securities Exchange Act of 1934, as amended, as well as in four other lawsuits by individual investors. We believe that these lawsuits are without merit and intend to defend them vigorously. In addition, the SEC is conducting an investigation into the Facebook matter, in which we are fully cooperating. While we are unable to predict the outcome of the pending litigation or the SEC investigation, an unfavorable outcome in one or more of these matters could have a material adverse effect on us. Pending the resolution of these matters, we expect to incur significant additional expenses in defending the lawsuits, in connection with the SEC investigation and in implementing technical changes and remedial measures which may be necessary or advisable.

Our role in the global marketplace may place us at greater risk for a cyber attack or other security incidents.

Our systems and operations are vulnerable to damage or interruption from security breaches, hacking, data theft, denial of service attacks, human error, natural disasters, power loss, fire, sabotage, terrorism, computer viruses, intentional acts of vandalism and similar events. Given our position in the global securities industry, we may be more likely than other companies to be a direct target, or an indirect casualty, of such events. In February 2011, we announced that, through our normal security monitoring systems, we detected suspicious files on our U.S. servers. The files were immediately removed and there has been no evidence that any customer information was accessed or acquired by third parties.

While we continue to employ resources to monitor our systems and protect our infrastructure, these measures may prove insufficient depending upon the attack or threat posed. Any system issue, whether as a result of an intentional breach or a natural disaster, could damage our reputation and cause us to lose customers, experience lower trading volume, incur significant liabilities or otherwise have a negative impact on our business, financial condition and operating results. We also could incur significant expense in addressing any of these problems and in addressing related data security and privacy concerns.

System limitations or failures could harm our business.

Our businesses depend on the integrity and performance of the computer and communications systems supporting them. If our systems cannot expand to cope with increased demand or otherwise fail to perform, we could experience unanticipated disruptions in service, slower response times and delays in the introduction of new products and services. These consequences could result in trade outages, lower trading volumes, financial losses, decreased customer service and satisfaction and regulatory sanctions. Our markets have experienced occasional systems failures and delays in the past and could experience future systems failures and delays.

Although we currently maintain and expect to maintain multiple computer facilities that are designed to provide redundancy and back-up to reduce the risk of system disruptions and have facilities in place that are expected to maintain service during a system disruption, such systems and facilities may prove inadequate. If trading volumes increase unexpectedly, we may need to expand and upgrade our technology, transaction processing systems and network infrastructure. We do not know whether we will be able to accurately project the rate, timing or cost of any increases, or expand and upgrade our systems and infrastructure to accommodate any increases in a timely manner.

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While we have programs in place to identify and minimize our exposure to vulnerabilities and work in collaboration with the technology industry to share corrective measures with our business partners, we cannot guarantee that such events will not occur in the future. Any system issue that causes an interruption in services, decreases the responsiveness of our services or otherwise affects our services could impair our reputation, damage our brand name and negatively impact our business, financial condition and operating results.

Regulatory changes and changes in market structure, especially in response to adverse financial conditions, could have a material adverse effect on our business.

In recent years, the securities trading industry and, in particular, the securities markets have been subject to significant regulatory changes. Moreover, the securities markets have been the subject of increasing governmental and public scrutiny in response to the global economic crisis and market volatility.

In June 2012, the SEC approved a plan for FINRA and the national securities exchanges to institute a limit up-limit down system designed to reduce short-term volatility in equity trading by preventing trades in individual exchange-listed stocks from occurring outside of a specified price band. The plan is expected to be implemented in 2013 with the intention of replacing the single stock trading pauses currently in place. In July 2012, the SEC voted to require national securities exchanges and FINRA to establish a market-wide consolidated audit trail (CAT) to improve regulators ability to monitor trading activity. We are currently working with FINRA and the other national securities exchanges in developing a plan to create a consolidated audit trail. At the end of 2012, new regulations relating to CCP services and OTC derivatives transactions were adopted that will affect our clearinghouses in Europe.

In addition, in the past two years, the SEC has taken regulatory actions in connection with issues described in its 2010 concept release on market structure, as well as the events of the May 6, 2010 flash crash. In 2011, the SEC implemented a new short sale restriction that triggers when a security declines 10% from its previous close and expanded its existing single stock trading pause to include all Regulation NMS securities. Any potential rules concerning trading halts during volatile markets, market access, algorithmic (high-frequency) trading, alternative trading systems (such as dark pools), and other market structure issues could change the competitive landscape and have a material impact on our business.

During the coming year, it is likely that there will be additional changes in the regulatory environment in which we operate our businesses, although we cannot predict the nature of these changes or their impact on our business at this time. The European Parliament continues its review of MiFID that could affect our operations in Europe. In addition, actions on any of the specific regulatory issues currently under review in the U.S. and Europe such as short selling, co-location, algorithmic (high-frequency) trading, market halts, the market data business, derivatives clearing, market transparency, taxes on stock transactions, restrictions on proprietary trading by certain of our customers and other related proposals could have a material impact on our business. In the U.S., the CFTC and SEC also will continue to take actions to fully implement the Dodd-Frank Act, a comprehensive banking and financial services reform package.

Our market participants also operate in a highly regulated industry. The SEC, the SFSA and other regulatory authorities could impose regulatory changes that could adversely impact the ability of our market participants to use our markets. Regulatory changes by the SEC, the SFSA or other regulatory authorities could result in the loss of a significant number of market participants or a reduction in trading activity on our markets.

Regulatory changes or future court rulings may have an adverse impact on our revenue from proprietary market data products.

Regulatory and legal developments could reduce the amount of revenue that we earn from our proprietary market data products. In the U.S., we generally are required to seek approval from the SEC for the fees that we charge for our market data products. In recent years, certain industry groups have objected to the ability of exchanges to charge for certain market data products. One industry challenge is currently pending in federal appeals court. An adverse ruling in this matter could cause the SEC to more closely examine exchange market data fees. The SEC also has authority to undertake such review at its own discretion. If such an examination is conducted, and the results are detrimental to our U.S. exchanges ability to charge for market data, there could be a negative impact on our revenues. We cannot predict whether, or in what form, any regulatory changes will be implemented, or their potential impact on our business. A determination by the SEC, for example, to link market data fees to marginal costs, to take a more active role in the market data rate-setting process, or to reduce the current levels of market data fees could have an adverse effect on our market data revenues.

Our European exchanges currently offer market data to customers on a non-discriminatory basis at a reasonable cost. Future actions by the European Commission or European court decisions could affect our ability to offer market data products in the same manner that we do today thereby causing an adverse effect on our European market data revenues.

We will need to invest in our operations to maintain and grow our business and to integrate acquisitions, and we may need additional funds, which may not be readily available.

We depend on the availability of adequate capital to maintain and develop our business. Although we believe that we can meet our current capital requirements from internally generated funds, cash on hand and available borrowings under our existing credit facilities, if the capital and credit markets experience volatility, access to capital or credit may not be available on terms acceptable to us or at all. Limited access to capital or credit in the future could have an impact on our ability to refinance debt, maintain our credit rating, meet our regulatory capital requirements, engage in strategic initiatives, make acquisitions or strategic investments in other companies or react to changing economic and business conditions. If we are unable to fund our capital or credit requirements, it could have an adverse effect on our business, financial condition and operating results.

In addition to our debt obligations, we will need to continue to invest in our operations for the foreseeable future to integrate acquired businesses and to fund new initiatives. If we do not achieve the expected operating results, we will need to reallocate our cash resources. This may include borrowing additional funds to service debt payments, which may impair our ability to make investments in our business or to integrate acquired businesses.

Should we need to raise funds through issuing additional equity, our equity holders will suffer dilution. Should we need to raise funds through incurring additional debt, we may become subject to covenants even more restrictive than those contained in our existing credit facilities, the indentures governing our notes and our other debt instruments. Furthermore, if adverse economic conditions occur, we could experience decreased revenues from our operations which could affect our ability to satisfy financial and other restrictive covenants to which we are subject under our existing indebtedness.

Stagnation or decline in the initial public offering market could have an adverse effect on our revenues.

The market for initial public offerings is dependent on the prosperity of companies and the availability of risk capital, both of which have been severely tested in recent years. Stagnation or decline in the initial public offering market will impact the number of new listings on The NASDAQ Stock Market and the exchanges comprising NASDAQ OMX Nordic and NASDAQ OMX Baltic, and thus our related revenues. We recognize revenue from new listings on The NASDAQ Stock Market on a straight-line basis over an estimated six-year service period. As a result, a stagnant market for initial public offerings could cause a decrease in deferred revenues for future years. Furthermore, as initial public offerings are typically actively traded following their offering date, a prolonged decrease in the number of initial public offerings could negatively impact the growth of our transactions revenues.

Any reduction in our credit rating could increase the cost of our funding from the capital markets.

Our long-term debt is currently rated investment grade by two of the major rating agencies. These rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. There can be no assurance that we will maintain our current ratings. Our failure to maintain those ratings could adversely affect the cost and other terms upon which we are able to obtain funding and increase our cost of capital. A reduction in credit ratings would also result in increases in the cost of our outstanding debt as the interest rate on the outstanding amounts under our credit facilities and our 5.25% senior notes due 2018 fluctuates based on our credit ratings.

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The success of our business depends on our ability to keep up with rapid technological and other competitive changes affecting our industry. Specifically, we must complete development of, successfully implement and maintain electronic trading platforms that have the functionality, performance, capacity, reliability and speed required by our business, as well as by our customers.

The markets in which we compete are characterized by rapidly changing technology, evolving industry standards, frequent enhancements to existing products and services, the adoption of new services and products and changing customer demands. We may not be able to keep up with rapid technological and other competitive changes affecting our industry. For example, we must continue to enhance our electronic trading platforms to remain competitive, and our business will be negatively affected if our electronic trading platforms fail to function as expected. If we are unable to develop our electronic trading platforms to include other products and markets, or if our electronic trading platforms do not have the required functionality, performance, capacity, reliability and speed required by our business, as well as by our customers, we may not be able to compete successfully. Further, our failure to anticipate or respond adequately to changes in technology and customer preferences, especially in our market technology business, or any significant delays in product development efforts, could have a material adverse effect on our business, financial condition and operating results.

Damage to our reputation or brand name could have a material adverse effect on our businesses.

One of our competitive strengths is our strong reputation and brand name. Various issues may give rise to reputational risk, including issues relating to:

- our ability to maintain the security of our data and systems;
- the quality and reliability of our technology platforms and systems;
- the ability to execute our business plan, key initiatives or new business ventures and the ability to keep up with changing customer demand;
- the representation of our business in the media;
- the accuracy of our financial statements and other financial and statistical information;
- the accuracy of our financial guidance or other information provided to our investors;
- the quality of our corporate governance structure;
- the quality of our products, including the reliability of our transaction-based business, the accuracy of the quote and trade information provided by our market data business and the accuracy of calculations used by our Global Index Group for indexes and unit investment trusts;
- the quality of our disclosure controls or internal controls over financial reporting, including any failures in supervision;
- extreme price volatility on our markets, such as that seen with the flash crash on May 6, 2010;
- any negative publicity surrounding our listed companies; and

any misconduct, fraudulent activity or theft by our employees or other persons formerly or currently associated with us.

Damage to our reputation could cause some issuers not to list their securities on our exchanges, as well as reduce the trading volume on our exchanges or cause us to lose customers in our market data, index or market technology businesses. This, in turn, may have a material adverse effect on our business, financial condition and operating results.

We may incur goodwill, intangible asset or other long-lived asset impairment charges in the future.

Our business acquisitions typically result in the recording of goodwill and intangible assets, and the recorded values of those assets may become impaired in the future. As of December 31, 2012, goodwill totaled approximately $5.3 billion and intangible assets, net of accumulated amortization, totaled approximately $1.7 billion. The determination of the value of such goodwill and intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements.

We assess goodwill and intangible assets as well as other long-lived assets, including equity method investments, property and equipment and other assets for impairment by applying a fair value based test by analyzing historical performance, capital requirements and projected cash flows on an annual basis or more frequently if indicators of impairment arise. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate cash flows. Although there are inherent uncertainties in this assessment process, the estimates and assumptions we use are consistent with our

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internal planning. There was no impairment of goodwill for the years ended December 31, 2012, 2011 and 2010. However, disruptions to our business, such as economic weakness and unexpected significant declines in operating results, may result in an impairment charge related to our goodwill, intangible assets or other long-lived assets in the future. A significant impairment charge in the future could have a material adverse effect on our operating results.

We may experience fluctuations in our operating results, which may adversely affect the market price of our common stock.

The financial services industry is risky and unpredictable and is directly affected by many national and international factors beyond our control, including:

- economic, political and geopolitical market conditions;
- natural disasters, terrorism, war or other catastrophes;
- broad trends in industry and finance;
- changes in price levels and volatility in the stock markets;
- the level and volatility of interest rates;
- changes in government monetary or tax policy;
- other legislative and regulatory changes;
- the perceived attractiveness of the U.S. or European capital markets; and
- inflation.

Any one of these factors could have a material adverse effect on our business, financial condition and operating results by causing a substantial decline in the financial services markets and reducing trading volumes.

Additionally, since borrowings under our credit facilities bear interest at variable rates, any increase in interest rates on debt that we have not fixed using interest rate hedges will increase our interest expense and reduce our cash flow. Other than variable rate debt, we believe our business has relatively large fixed costs and low variable costs, which magnifies the impact of revenue fluctuations on our operating results. As a result, a decline in our revenue may lead to a relatively larger impact on operating results. A substantial portion of our operating expenses will be related to personnel costs, regulation and corporate overhead, none of which can be adjusted quickly and some of which cannot be adjusted at all. Our operating expense levels will be based on our expectations for future revenue. If actual revenue is below management s expectations, or if our expenses increase before revenues do, both revenues less transaction rebates, brokerage, clearance and exchange fees and operating results would be materially and adversely affected. Because of these factors, it is possible that our operating results or other operating metrics may fail to meet the expectations of stock market analysts and investors. If this happens, the market price of our common stock may be adversely affected.

We are exposed to credit risk from third parties, including customers, counterparties and clearing agents.

We are exposed to credit risk from third parties, including customers, counterparties and clearing agents. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons.

We clear or stand as riskless principal to a range of equity-related and fixed-income-related derivative products, energy-related commodity products and resale and repurchase agreements. We assume the counterparty risk for all transactions that are cleared through our markets and guarantee that our cleared contracts will be honored. We enforce minimum financial and operational criteria for membership eligibility, require members and investors to provide collateral, and maintain established risk policies and procedures to ensure that the counterparty risks are properly monitored and pro-actively managed; however, none of these measures provides absolute assurance against experiencing financial losses from defaults by our counterparties on their obligations. No guarantee can be given that the collateral provided will at all times be sufficient. Although we maintain clearing capital resources to serve as an additional layer of protection to help ensure that we are able to meet our obligations, these resources may not be sufficient.

We also have credit risk related to transaction fees that are billed to customers on a monthly basis, in arrears. Our customers are financial institutions whose ability to satisfy their contractual obligations may be impacted by volatile securities markets.

Credit losses such as those described above could adversely affect our consolidated financial position and results of operations.

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Our leverage limits our financial flexibility, increases our exposure to weakening economic conditions and may adversely affect our ability to obtain additional financing.

In connection with acquisitions and share repurchases, we incurred a significant amount of indebtedness. Our indebtedness as of December 31, 2012 was approximately $2.0 billion. We also may borrow up to an additional $624 million under a revolver that is part of our credit facilities.

Our leverage could:

- reduce funds available to us for operations and general corporate purposes or for capital expenditures as a result of the dedication of a substantial portion of our consolidated cash flow from operations to the payment of principal and interest on our indebtedness;
- increase our exposure to a continued downturn in general economic conditions;
- place us at a competitive disadvantage compared with our competitors with less debt; and
- affect our ability to obtain additional financing in the future for refinancing indebtedness, acquisitions, working capital, capital expenditures or other purposes.

In addition, we must comply with the covenants in our credit facilities. Among other things, these covenants restrict our ability to grant liens, incur additional indebtedness, pay dividends and conduct transactions with affiliates. Failure to meet any of the covenant terms of our credit facilities could result in an event of default. If an event of default occurs, and we are unable to receive a waiver of default, our lenders may increase our borrowing costs, restrict our ability to obtain additional borrowings and accelerate all amounts outstanding. Our credit facilities allow us to pay cash dividends on our common stock as long as certain leverage ratios are maintained.

The regulatory framework under which we operate and new regulatory requirements or new interpretations of existing regulatory requirements could require substantial time and resources for compliance, which could make it difficult and costly for us to operate our business.

Our business is subject to extensive regulation. Under current U.S. federal securities laws, changes in the rules and operations of our markets, including our pricing structure, must be reviewed and in many cases explicitly approved by the SEC. The SEC may approve, disapprove, or recommend changes to proposals that we submit. In addition, the SEC may delay either the approval process or the initiation of the public comment process. Any delay in approving changes, or the altering of any proposed change, could have an adverse effect on our business, financial condition and operating results. We must compete not only with ATSs that are not subject to the same SEC approval process but also with other exchanges that may have lower regulation and surveillance costs than us. There is a risk that trading will shift to exchanges that charge lower fees because, among other reasons, they spend significantly less on regulation.

In addition, our registered broker-dealer subsidiaries are subject to regulation by the SEC, FINRA and other self-regulatory organizations. These subsidiaries are subject to regulatory requirements intended to ensure their general financial soundness and liquidity, which require that they comply with certain minimum capital requirements. The SEC and FINRA impose rules that require notification when a broker-dealer s net capital falls below certain predefined criteria, dictate the ratio of debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the Uniform Net Capital Rule and FINRA rules impose certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC and FINRA for certain withdrawals of capital. Any failure to comply with these broker-dealer regulations could have a material adverse effect on the operation of our business, financial condition and operating results.

Our non-U.S. business is subject to regulatory oversight in all the countries in which we operate regulated businesses, such as exchanges or central securities depositories. The countries in which we currently operate or share ownership in regulated businesses include Sweden, Finland, Denmark, Iceland, Estonia, Lithuania, Latvia, Norway, Armenia, Switzerland, the Netherlands and the United Kingdom. In all the aforementioned countries, we have received authorization from the relevant authorities to conduct our regulated business activities. The authorities may revoke this authorization if we do not suitably carry out our regulated business activities. The authorities are also entitled to request that we adopt measures in order to ensure that we continue to fulfill the authorities requirements.

Furthermore, we hold interests in other regulated entities, and certain of our customers operate in a highly regulated industry. Regulatory authorities with jurisdiction over our non-U.S. entities could impose regulatory changes that could impact the ability of our customers to use our European exchanges. The loss of a significant number of customers or a reduction in trading activity on any of our European exchanges as a result of such changes could have a material adverse effect on our business, financial condition and operating results.

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We are subject to risks relating to litigation, potential securities law liability and other liability.

Many aspects of our business potentially involve substantial liability risks. Although we are immune from private suits for self-regulatory organization activities, this immunity only covers certain of our activities in the U.S., and we could be exposed to liability under national and local laws, court decisions and rules and regulations promulgated by regulatory agencies.

In the U.S., we are subject to oversight by the SEC, and our subsidiary NFX is subject to oversight by the CFTC. Our subsidiary NOCC is regulated as a power marketer by the Federal Energy Regulatory Commission (for transactions in every state but Texas) and the Public Utility Commission of Texas (for transactions in Texas). In the case of non-compliance with our obligations under the securities, commodities or other laws, we could be subject to investigation and judicial or administrative proceedings that may result in substantial penalties.

Our non-U.S. business is regulated both at the national level in several countries and at the European Union level. Implementation and application of these regulations may be undertaken by one or more regulatory authorities, which may challenge compliance with one or more aspects of such regulations. If a regulatory authority makes a finding of non-compliance, conditional fines can be imposed and our licenses can be revoked.

Some of our other liability risks arise under the laws and regulations relating to the insurance, tax, intellectual property, anti-money laundering, technology export, foreign asset controls and foreign corrupt practices areas. Liability could also result from disputes over the terms of a trade, claims that a system failure or delay cost a customer money, claims we entered into an unauthorized transaction or claims that we provided materially false or misleading statements in connection with a securities transaction. As we intend to defend any such litigation actively, significant legal expenses could be incurred. Although we carry insurance that may limit our risk of damages in some cases, we still may sustain losses that would affect our financial condition and results of operations.

We have self-regulatory obligations and also operate for-profit businesses, and these two roles may create conflicts of interest.

We have obligations to regulate and monitor activities on our markets and ensure compliance with applicable law and the rules of our markets by market participants and listed companies. In the U.S., the SEC staff has expressed concern about potential conflicts of interest of for-profit markets performing the regulatory functions of a self-regulatory organization. Although our U.S. cash equities and options exchanges outsource the majority of their market regulation functions to FINRA, we do perform regulatory functions related to our listed companies and our markets. Any failure by us to diligently and fairly regulate our markets or to otherwise fulfill our regulatory obligations could significantly harm our reputation, prompt SEC scrutiny and adversely affect our business and reputation.

Our Nordic and Baltic exchanges also monitor trading and compliance with listing standards. They monitor the listing of cash equities and other financial instruments. The prime objective of such monitoring activities is to promote confidence in the exchanges among the general public and to ensure fair and orderly functioning markets. The monitoring functions within the exchanges comprising NASDAQ OMX Nordic and NASDAQ OMX Baltic are the responsibility of the surveillance departments or other surveillance personnel. The surveillance departments or personnel are intended to strengthen the integrity of and confidence in these exchanges and to avoid conflicts of interest. Any failure to diligently and fairly regulate the Nordic and Baltic exchanges could significantly harm our reputation, prompt scrutiny from regulators and adversely affect our business and reputation.

Failure to attract and retain key personnel may adversely affect our ability to conduct our business.

Our future success depends, in large part, upon our ability to attract and retain highly qualified professional personnel. Competition for key personnel in the various localities and business segments in which we operate is intense. Our ability to attract and retain key personnel, in particular senior officers, will be dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. There is no guarantee that we will have the continued service of key employees who we rely upon to execute our business strategy and identify and pursue strategic opportunities and initiatives. In particular, we may have to incur costs to replace senior officers or other key employees who leave, and our ability to execute our business strategy could be impaired if we are unable to replace such persons in a timely manner.

We are highly dependent on the continued services of Robert Greifeld, our Chief Executive Officer, and other senior officers and key employees who possess extensive financial markets knowledge and technology skills. We do not have employment agreements with some of these key senior officers. We do not maintain key person life insurance policies on any of our senior officers, managers, key employees or technical personnel. The loss of the services of these persons for any reason, as well as any negative market or industry perception arising from those losses, could have a material adverse effect on our business, financial condition and operating results.

Failure to protect our intellectual property rights, or allegations that we have infringed on the intellectual property rights of others, could harm our brand-building efforts and ability to compete effectively.

To protect our intellectual property rights, we rely on a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with our affiliates, clients, strategic partners and others. The protective steps that we take may be inadequate to deter misappropriation of our proprietary information. We may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights.

We have registered, or applied to register, our trademarks in the United States and in over 50 foreign jurisdictions and have pending U.S. and foreign applications for other trademarks. We also maintain copyright protection on our branded materials and pursue patent protection for software products, inventions and other processes developed by us. We also hold a number of patents, patent applications and licenses in the United States and other foreign jurisdictions. Effective trademark, copyright, patent and trade secret protection may not be available in every country in which we offer our services. Failure to protect our intellectual property adequately could harm our brand and affect our ability to compete effectively. Further, defending our intellectual property rights could result in the expenditure of significant financial and managerial resources.

Third parties may assert intellectual property rights claims against us, which may be costly to defend, could require the payment of damages and could limit our ability to use certain technologies, trademarks or other intellectual property. Any intellectual property claims, with or without merit, could be expensive to litigate or settle and could divert management resources and attention. Successful challenges against us could require us to modify or discontinue our use of technology or business processes where such use is found to infringe or violate the rights of others, or require us to purchase licenses from third parties, any of which could adversely affect our business, financial condition and operating results.

We rely on third parties to perform certain functions, and our business could be adversely affected if these third parties fail to perform as expected.

We rely on third parties for regulatory, data center and other services. For example, we have a contractual arrangement with FINRA pursuant to which FINRA performs certain regulatory functions on our behalf. We also are highly reliant on third-party data centers provided by Verizon. To the extent that FINRA, Verizon or any other vendor or third-party service provider experiences difficulties, materially changes their business relationship with us or is unable for any reason to perform their obligations, our business or our reputation may be materially adversely affected.

We also rely on members of our trading community to maintain markets and add liquidity. To the extent that any of our largest members experiences difficulties, materially changes their business relationship with us or is unable for any reason to perform market making activities, our business or our reputation may be materially adversely affected.

We are a holding company that depends on cash flow from our subsidiaries to meet our obligations, and any restrictions on our subsidiaries ability to pay dividends or make other payments to us may have a material adverse effect on our results of operations and financial condition.

We are a holding company with no direct operating businesses other than the equity interests of our subsidiaries. We require dividends and other payments from our subsidiaries to meet cash requirements. Minimum capital requirements mandated by regulatory authorities having jurisdiction over some of our regulated subsidiaries indirectly restrict the amount of dividends paid upstream. If our subsidiaries are unable to pay dividends and make other payments to us when needed, we may be unable to satisfy our obligations, which would have a material adverse effect on our business, financial condition and operating results.

Future acquisitions, investments, partnerships and joint ventures may require significant resources and/or result in significant unanticipated losses, costs or liabilities.

Over the past several years, acquisitions have been significant factors in our growth. Although we cannot predict our rate of growth as the result of acquisitions with complete accuracy, we believe that additional acquisitions and investments or entering into partnerships and joint ventures will be important to our growth strategy. Many of the other potential purchasers of assets in our industry have greater financial resources than we have. Therefore, we cannot be sure that we will be able to complete future acquisitions on terms favorable to us.

In December 2012, we entered into an agreement with Thomson Reuters to acquire its Investor Relations, Public Relations and Multimedia Solutions businesses. The proposed transaction is subject to customary regulatory approvals and is expected to close in the first half of 2013. Although we are confident in the ability to close this transaction, we cannot predict with certainty the timing, the resources that will be required and the conditions that will need to be implemented to complete this transaction.

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We may finance future acquisitions by issuing additional equity and/or debt. The issuance of additional equity in connection with any such transaction could be substantially dilutive to existing shareholders. The issuance of additional debt could increase our leverage substantially. In addition, announcement or implementation of future transactions by us or others could have a material effect on the price of our common stock. We could face financial risks associated with incurring additional debt, particularly if the debt results in significant incremental leverage. Additional debt may reduce our liquidity, curtail our access to financing markets, impact our standing with credit agencies and increase the cash flow required for debt service. Any incremental debt incurred to finance an acquisition could also place significant constraints on the operation of our business.

Furthermore, any future acquisitions of businesses or facilities could entail a number of additional risks, including:

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- the diversion of our management team from its other operations;
- problems with regulatory bodies;
- exposure to unanticipated liabilities;
- difficulties in realizing projected efficiencies, synergies and cost savings; and
- changes in our credit rating and financing costs.

We may not be able to successfully integrate acquired businesses, which may result in an inability to realize the anticipated benefits of our acquisitions.

We must rationalize, coordinate and integrate the operations of acquired businesses. This process involves complex technological, operational and personnel-related challenges, which are time-consuming and expensive and may disrupt our business. The difficulties, costs and delays that could be encountered may include:

- unforeseen difficulties, costs or complications in combining the companies operations, which could lead to us not achieving the synergies we anticipate;
- unanticipated incompatibility of systems and operating methods;
- inability to use capital assets efficiently to develop the business of the combined company;

the difficulty of complying with government-imposed regulations in the U.S. and abroad, which may be conflicting;

resolving possible inconsistencies in standards, controls, procedures and policies, business cultures and compensation structures;

the diversion of management s attention from ongoing business concerns and other strategic opportunities;

unforeseen difficulties in operating acquired businesses in parallel with similar businesses that we operated previously;

unforeseen difficulties in operating businesses we have not operated before;

unanticipated difficulty of integrating multiple acquired businesses simultaneously;

the retention of key employees and management;

the implementation of disclosure controls, internal controls and financial reporting systems at non-U.S. subsidiaries to enable us to comply with U.S. generally accepted accounting principles, or U.S. GAAP, and U.S. securities laws and regulations, including the Sarbanes Oxley Act of 2002, required as a result of our status as a reporting company under the Exchange Act;

the coordination of geographically separate organizations;

the coordination and consolidation of ongoing and future research and development efforts;

possible tax costs or inefficiencies associated with integrating the operations of a combined company;

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- pre-tax restructuring and revenue investment costs;
- the retention of strategic partners and attracting new strategic partners; and
- negative impacts on employee morale and performance as a result of job changes and reassignments.

For these reasons, we may not achieve the anticipated financial and strategic benefits from our acquisitions. Any actual cost savings and synergies may be lower than we expect and may take a longer time to achieve than we anticipate, and we may fail to realize the anticipated benefits of acquisitions.

Changes in tax laws, regulations or policies could have a material adverse effect on our financial results.

Like other corporations, we are subject to taxes at the federal, state and local levels, as well as in non-U.S. jurisdictions. Changes in tax laws, regulations or policies could result in us having to pay higher taxes, which would in turn reduce our net income.

In addition, some of our subsidiaries are subject to tax in the jurisdictions in which they are organized or operate. In computing our tax obligation in these jurisdictions, we take various tax positions on matters that are not entirely free from doubt. We cannot assure you that upon review of these positions the applicable authorities will agree with our positions. A successful challenge by a tax authority could result in additional tax imposed on our subsidiaries.

Our non-U.S. business operates in various international markets, particularly emerging markets, that are subject to greater political, economic and social uncertainties than developed countries.

The operations of our non-U.S. business are subject to the risk inherent in international operations, including but not limited to, risks with respect to operating in Iceland, the Baltics, Central and Eastern Europe, the Middle East and Asia. Some of these economies may be subject to greater political, economic and social uncertainties than countries with more developed institutional structures. Political, economic or social events or developments in one or more of these countries could adversely affect our operations and financial results.

We have invested substantial capital in system platforms, and a failure to successfully implement such systems could adversely affect our business.

In our technology operations, we have invested substantial amounts in the development of system platforms and in the rollout of our platforms. Although investments are carefully planned, there can be no assurance that the demand for such platforms will justify the related investments and that the future levels of transactions executed on these platforms will be sufficient to generate an acceptable return on such investments. If we fail to generate adequate revenue from planned system platforms, or if we fail to do so within the envisioned timeframe, it could have an adverse effect on our results of operations and financial condition.

Because we have operations in several countries, we are exposed to currency risk.

We have operations in the U.S., the Nordic and Baltic countries, Australia and many other foreign countries. We therefore have significant exposure to exchange rate movements between the Euro, Swedish Krona, Danish Krone, Norwegian Krone, British Pound Sterling, Australian Dollar and other foreign currencies towards the U.S. dollar. Significant inflation or disproportionate changes in foreign exchange rates with respect to one or more of these currencies could occur as a result of general economic conditions, acts of war or terrorism, changes in governmental monetary or tax policy or changes in local interest rates. These exchange rate differences will affect the translation of our non-U.S. results of operations and financial condition into U.S. dollars as part of the preparation of our consolidated financial statements.

If our risk management methods are not effective, our business, reputation and financial results may be adversely affected.

We have methods to identify, monitor and manage our risks, including oversight of risk management by NASDAQ OMX s Risk Committee, which is comprised of employees of NASDAQ OMX. However, these methods may not be fully effective. Some of our risk management methods may depend upon evaluation of information regarding markets, customers or other matters. That information may not in all cases be accurate, complete, up-to-date or properly evaluated. If our methods are not effective or we are not successful in monitoring or evaluating the risks to which we are or may be exposed, our business, reputation, financial condition and operating results could be materially adversely affected.

Charges to earnings resulting from acquisition, restructuring and integration costs may materially adversely affect the market value of our common stock.

In accordance with U.S. GAAP, we are accounting for the completion of our acquisitions using the purchase method of accounting. We are allocating the total estimated purchase prices to net tangible assets, amortizable intangible assets and indefinite-lived intangibles, and based on their fair values as of the date of completion of the acquisitions, recording the excess of the purchase price over those fair values as goodwill. Our financial results, including earnings per share, or EPS, could be adversely affected by a number of financial adjustments required by U.S. GAAP including the following:

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- we may incur additional amortization expense over the estimated useful lives of certain of the intangible assets acquired in connection with acquisitions during such estimated useful lives;
- we may have additional depreciation expense as a result of recording purchased tangible assets at fair value, in accordance with U.S. GAAP, as compared to book value as recorded;
- to the extent the value of goodwill or intangible assets becomes impaired, we may be required to incur material charges relating to the impairment of those assets; and
- we may incur certain adjustments to reflect the financial condition and operating results under U.S. GAAP and U.S. dollars.

Risks Relating to an Investment in Our Common Stock

Volatility in our stock price could adversely affect our stockholders.

The market price of our common stock is likely to be volatile. Broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating performance. Factors that could cause fluctuations in our stock price may include, among other things:

- actual or anticipated variations in our quarterly operating results;
- changes in financial estimates by us or by any securities analysts who might cover our common stock;
- conditions or trends in our industry, including trading volumes, regulatory changes or changes in the securities marketplace;
- conditions or trends in the credit markets;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- additions or departures of key personnel; and
- purchases or sales of our common stock, including purchases or sales of our common stock by our directors, officers, significant stockholders or strategic investors.

Decisions to declare future dividends on our common stock will be at the discretion of our board of directors based upon a review of relevant considerations. Accordingly, there can be no guarantee that we will pay future dividends to our stockholders.

In 2012, our board of directors declared quarterly cash dividend payments of $0.13 per share of outstanding common stock paid in June, September and December. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by NASDAQ OMX s board of directors. The board s determination to declare dividends will depend upon our profitability and financial condition, contractual restrictions, restrictions imposed by applicable law and other factors that the board deems relevant. Based on an evaluation of these factors, the board of directors may determine not to declare future dividends at all or to declare future dividends at a reduced amount. Accordingly, there can be no guarantee that we will pay future dividends to our stockholders.

The market price of our common stock could be negatively affected by sales of substantial amounts of our common stock in the public markets.

Sales of a substantial number of shares of our common stock in the public markets, or the perception that these sales might occur, could cause the market price of our common stock to decline or could impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities. As of December 31, 2012, there were 165,605,838 shares of our common stock outstanding. All of our common stock is freely transferable, except shares held by our affiliates, as defined in Rule 144 under the Securities Act.

The number of freely transferable shares of our common stock will increase upon any exercise of outstanding options pursuant to NASDAQ OMX s Equity Incentive Plan, or Equity Plan. There were 7,545,777 options exercisable as of December 31, 2012 at a weighted average exercise price of $21.10.

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It is our intent and policy to settle the principal amount of our 2.50% convertible senior notes due August 2013, or the 2013 Convertible Notes, in cash, which will not impact the number of shares of our common stock. However, we have the option to settle the conversion premium in shares of our common stock or cash. The conversion rate as of December 31, 2012, subject to adjustment due to certain events including cash dividends, is 18.4504 shares of common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of $54.20 per share of common stock.

Provisions of our certificate of incorporation, by-laws, exchange rules (including provisions included to address SEC concerns) and Delaware law could delay or prevent a change in control of us and entrench current management.

Our organizational documents place restrictions on the voting rights of certain stockholders. The holders of our common stock are entitled to one vote per share on all matters to be voted upon by the stockholders except that no person may exercise voting rights in respect of any shares in excess of 5% of the then outstanding shares of our common stock. Any change to the 5% voting limitation would require SEC approval.

In response to the SEC s concern about a concentration of our ownership, the rules of our U.S. exchanges include a rule prohibiting any member or any person associated with a member of the exchange from beneficially owning more than 20% of our outstanding voting interests. SEC consent would be required before any investor could obtain more than a 20% voting interest in us. The rules of our U.S. exchanges also require the SEC s approval of any business ventures with one of our members, subject to exceptions.

Our organizational documents contain provisions that may be deemed to have an anti-takeover effect and may delay, deter or prevent a change of control of us, such as a tender offer or takeover proposal that might result in a premium over the market price for our common stock. Additionally, certain of these provisions make it more difficult to bring about a change in the composition of our board of directors, which could result in entrenchment of current management.

Our certificate of incorporation and by-laws:

- require supermajority stockholder approval to remove directors;
- do not permit stockholders to act by written consent or to call special meetings;
- require certain advance notice for director nominations and actions to be taken at annual meetings;
- require supermajority stockholder approval with respect to certain amendments to our certificate of incorporation and by-laws (including in respect of the provisions set forth above); and
- authorize the issuance of undesignated preferred stock, or blank check preferred stock, which could be issued by our board of directors without stockholder approval.

Section 203 of the Delaware General Corporation Law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more (or, in some cases, a holder who previously held 15% or more) of our common stock. In general, Delaware law prohibits a publicly held corporation from engaging in a business combination with an interested stockholder for three years after the stockholder becomes an interested stockholder, unless the corporation s board of directors and stockholders approve the business combination in a prescribed manner.

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Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following is a description of our principal properties.

Location	**Use**	**Size (approximate, in square feet)**	**Type of possession**
New York, New York	Location of MarketSite	25,000	Lease
New York, New York	U.S. headquarters	115,000	Subleased from FINRA with 17,931 square feet leased back to FINRA
New York, New York	General office space	53,000	Subleased to third parties
New York, New York	General office space	48,000	Lease
Philadelphia, Pennsylvania	Location of NASDAQ OMX PHLX	94,000	Lease
Rockville, Maryland	General office space	48,000	Lease
Shelton, Connecticut	General office space	29,000	Lease
Stockholm, Sweden	European headquarters	296,000	Lease
London, England	General office space	71,000	Lease
Helsinki, Finland	General office space	19,800	Lease
Copenhagen, Denmark	General office space	23,900	Lease

We also maintain local headquarters in each of the other European countries where we operate an exchange and office space in countries in which we conduct sales and operations, including Armenia, Australia, Canada, China, Estonia, Hong Kong, Iceland, Italy, Japan, Latvia, Lithuania, Netherlands, Norway, Singapore and United Arab Emirates.

In addition to the above, we currently lease administrative, sales and disaster preparedness facilities in California, Colorado, Illinois, Massachusetts, New Jersey, Oregon and Washington, DC.

Generally, our properties are not earmarked for use by a particular segment; instead, most of our properties are used by two or more segments. We believe the facilities we occupy are adequate for the purposes for which they are currently used and are well-maintained. As of December 31, 2012, approximately 278,719 square feet of space was available for sublease.

Item 3. Legal Proceedings.

In 2012, we became a party to several legal and regulatory proceedings relating to the Facebook IPO that occurred on May 18, 2012. In our most recent Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, we identified several putative class actions in which we were named as a defendant. All but one of those actions are putative national class actions and have been consolidated into a matter pending in the U.S. District Court for the Southern District of New York, under the caption *In re Facebook, Inc., IPO Securities and Derivative Litigation*, MDL No. 2389. Of the 10 prior actions consolidated under this caption, nine were brought by retail investors seeking damages for alleged negligence, while one was brought by professional proprietary trading firms for alleged violations of Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended.

An additional putative class action lawsuit, *Zack v. The NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC* (filed June 26, 2012; re-filed August 7, 2012), alleges negligence and seeks to represent only citizens of the state of New York. Four other lawsuits have been brought by individual investors (filed between June 18, 2012 and October 12, 2012). Those actions also assert claims for negligence, gross negligence, and/or fraud. The *Zack* action and the individual actions are not consolidated with the putative nationwide class actions, but are being coordinated with them in the Facebook action referenced above.

We also received a demand letter from a member organization, seeking indemnification for alleged losses associated with the Facebook IPO. No complaint has been filed in this matter.

We believe that these lawsuits and the demand are without merit and intend to defend them vigorously.

In connection with the Facebook matter, the New York Regional Office of the SEC s Division of Enforcement is conducting an investigation. To date, we have been responding to requests for information, documentation, and witness interviews, and have been cooperating fully in the investigation. We are unable to predict the outcome of this investigation, or its potential impact on us.

Except as disclosed above, 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.

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Item 4. Mine Safety Disclosures.

Not applicable.

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Part II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock has been listed on The NASDAQ Stock Market (formerly The Nasdaq National Market) since February 10, 2005, under the ticker symbol NDAQ. From July 1, 2002 through February 9, 2005, our common stock traded on the OTCBB under the symbol NDAQ.

The following chart lists the quarterly high and low sales prices for shares of our common stock for fiscal years 2012 and 2011. These prices are between dealers and do not include retail markups, markdowns or other fees and commissions and may not represent actual transactions.

	High	Low
Fiscal 2012		
Fourth quarter	$ 26.80	$ 22.63
Third quarter	24.50	21.58
Second quarter	26.12	21.03
First quarter	27.34	24.14
Fiscal 2011		
Fourth quarter	$ 26.81	$ 21.69
Third quarter	26.32	20.32
Second quarter	29.50	23.02
First quarter	29.71	23.09

As of February 8, 2013, we had approximately 672 holders of record of our common stock. As of February 8, 2013, the closing price of our common stock was $29.47.

Dividends

In each of the second, third and fourth quarters of 2012, the Company paid a quarterly cash dividend of $0.13 per share and expects to pay quarterly cash dividends in the future, subject to approval by the board of directors. There were no dividends declared or paid during the first quarter of 2012 or during 2011. Our credit facilities allow us to pay cash dividends on our common stock as long as certain leverage ratios are maintained.

Issuer Purchases of Equity Securities

Share Repurchase Programs

In the fourth quarter of 2011, our board of directors approved a share repurchase program authorizing NASDAQ OMX to repurchase in the aggregate up to $300 million of our outstanding common stock. In the third quarter of 2012, our board of directors authorized the repurchase of up to an additional $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 will be funded from existing cash balances. The share repurchase program may be suspended, modified or discontinued at any time.

During 2012, we repurchased 11,544,457 shares of our common stock at an average price of $23.82, for an aggregate purchase price of $275 million, completing the share repurchase program authorized in the fourth quarter of 2011. The shares repurchased under the share repurchase program are available for general corporate purposes. As of December 31, 2012, the remaining amount for share repurchases under the program authorized in the third quarter of 2012 was $225 million.

Employee Transactions

In addition to our share repurchase program, during the fiscal quarter ended December 31, 2012, we also purchased shares from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vestings of restricted stock grants.

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The table below represents repurchases made by or on behalf of us or any affiliated purchaser of our common stock during the fiscal quarter ended December 31, 2012:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
October 2012				
Share repurchase program	323,900	$ 23.49	323,900	$ 268
Employee transactions	4,437	$ 23.67	N/A	N/A
November 2012				
Share repurchase program	1,197,100	$ 23.80	1,197,100	$ 239
Employee transactions	1,704	$ 24.15	N/A	N/A
December 2012				
Share repurchase program	580,300	$ 23.96	580,300	$ 225
Employee transactions	447,719	$ 24.85	N/A	N/A
Total Fiscal Quarter Ended December 31, 2012				
Share repurchase program	2,101,300	$ 23.79	2,101,300	$ 225
Employee transactions	453,860	$ 24.84	N/A	N/A

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PERFORMANCE GRAPH

The following graph compares the total return of our common stock with certain indices and a peer group. These include the NASDAQ Composite Stock Index and the Standard & Poor s, or S&P, 500 Stock Index as well as the peer group. The peer group includes the CME Group Inc., Deutsche Börse AG, IntercontinentalExchange Inc., LSE, and NYSE Euronext. Information for the indices and the peer group is provided from December 31, 2007 through December 31, 2012. The figures represented below assume an initial investment of $100 in the common stock or index at the closing price on December 31, 2007 and the reinvestment of all dividends.

	12/07	12/08	12/09	12/10	12/11	12/12
The NASDAQ OMX Group, Inc.	$ 100.00	$ 49.93	$ 40.05	$ 47.95	$ 49.53	$ 51.35
NASDAQ Composite	100.00	59.03	82.25	97.32	98.63	110.78
S&P 500	100.00	63.00	79.67	91.67	93.61	108.59
Peer Group	100.00	33.24	44.99	44.95	38.29	44.61

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Item 6. Selected Financial Data.

The following table sets forth selected financial data on a historical basis for NASDAQ OMX. The following information should be read in conjunction with the consolidated financial statements and notes thereto of NASDAQ OMX included elsewhere in this Form 10-K.

Selected Financial Data

	Year Ended December 31, (in millions, except share and per share amounts)				
	2012[1]	2011[1]	2010[1]	2009	2008[1]
Statements of Income Data:					
Total revenues[2]	$ 3,119	$ 3,430	$ 3,191	$ 3,410	$ 3,650
Cost of revenues[2]	(1,456)	(1,748)	(1,675)	(1,961)	(2,194)
Revenues less transaction rebates, brokerage, clearance and exchange fees	1,663	1,682	1,516	1,449	1,456
Total operating expenses	973	986	885	846	816
Operating income	690	696	631	603	640
Net income attributable to NASDAQ OMX	352	387	395	266	314
Net income applicable to common stockholders	352	387	394	266	314
Per share information:					
Basic earnings per share	$ 2.09	$ 2.20	$ 1.94	$ 1.30	$ 1.65
Diluted earnings per share	$ 2.04	$ 2.15	$ 1.91	$ 1.25	$ 1.55
Cash dividends declared per common share[3]	$ 0.39	$	$	$	$
Weighted-average common shares outstanding for earnings per share:					
Basic	168,254,653	176,331,819	202,975,623	204,698,277	190,362,605
Diluted	172,587,870	180,011,247	206,514,655	214,537,907	204,514,862

	December 31, (in millions)				
	2012	2011	2010	2009	2008
Balance Sheets Data:					
Cash and cash equivalents and financial investments	$ 720	$ 785	$ 568	$ 902	$ 601
Total assets[4][5]	9,132	14,091	16,207	10,722	12,752
Total long-term liabilities	2,996	3,067	3,247	2,909	3,372
Total equity	5,209	4,986	4,729	4,944	4,303

(1) We completed several acquisitions during the years ended December 31, 2012, 2011, 2010 and 2008 and included the financial results of such acquisitions in our consolidated financial statements from the respective acquisition dates.

(2) We record execution revenues from transactions on a gross basis in revenues and record related expenses as cost of revenues.

(3) In June, September and December of 2012, we paid quarterly cash dividends of $0.13 per share on our outstanding common stock.

(4) Total assets included resale agreements, at contract value of $3.7 billion at December 31, 2011 and $3.4 billion at December 31, 2010. In September 2010, we launched a clearing service for the resale and repurchase agreement market.

(5)

Total assets decreased $5.0 billion at December 31, 2012 as compared to December 31, 2011, primarily due to our new clearing structure which significantly changed the nature and extent of the risk of loss to NASDAQ OMX Nordic Clearing in the event of a member default. As a result, we no longer record derivative positions or resale and repurchase agreements in the Consolidated Balance Sheet. See "Open Clearing Contracts," of Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements for further discussion.

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Item 7. 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 consolidated financial statements and related notes included in this Form 10-K, as well as the discussion under Item 1A. Risk Factors.

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.

On February 27, 2008, Nasdaq and OMX AB combined their businesses and Nasdaq was renamed The NASDAQ OMX Group, Inc. Under the purchase method of accounting, Nasdaq was treated as the accounting and legal acquirer in the business combination with OMX AB.

We also completed the following acquisitions during 2008, 2010, 2011 and 2012:

PHLX, July 2008;

BSX, August 2008;

Certain subsidiaries of Nord Pool, October 2008;

The assets of North American Energy Credit and Clearing Corp., March 2010;

A derivatives trading market through the purchase of the remaining business of Nord Pool, May 2010;

SMARTS, August 2010;

FTEN, December 2010;

ZVM, December 2010;

Glide Technologies, October 2011;

The business of RapiData, December 2011;

NOS Clearing, July 2012; and

The index business of Mergent, Inc., including Indxis, December 2012.

These acquisitions also have been treated as purchases for accounting purposes, with NASDAQ OMX treated as the acquirer. Additionally, we purchased a majority stake in IDCG in December 2008 which was sold in August 2012, a 22% equity interest in EMCF in January 2009, and a 72% ownership interest in BWise in May 2012. The financial results of these transactions are included in the consolidated financial results beginning on the date of each acquisition or strategic initiative.

Most recently, in December 2012, we entered into an agreement with Thomson Reuters to acquire its Investor Relations, Public Relations and Multimedia Solutions businesses. Upon closing, these complementary businesses will be integrated into our Corporate Solutions business. The proposed transaction is subject to customary regulatory approvals and is expected to close in the first half of 2013. We also announced an agreement to acquire a 25% stake in 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 proposed transaction delivers on our strategy to expand our derivatives presence across the European market and will be part of our European Transaction Services business. The acquisition is also subject to regulatory approval.

Business Environment

We serve listed companies, market participants and investors by providing high quality cash equity, derivative and commodities markets, thereby facilitating economic growth and corporate entrepreneurship. We also provide market technology to exchanges, clearing organizations and central securities depositories around the world. 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 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:

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- Trading volumes, particularly in U.S. and European cash equity and derivative 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;
- 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 continuing cautious outlook about the slow pace of global economic recovery and certain governments ability to fund their sovereign debt. Should the global economy avoid the intermittent crisis environments of 2010-2012, we expect moderate growth in our businesses rather than the recent sporadic increases in the level of market volatility, oscillating trading volumes, and general business uncertainty. Many of our largest customers are also altering their business models and associated trading volumes as they address the implementation of regulatory changes initiated following the global financial crisis. In 2012, both the U.S. and European cash equity trading and derivative trading and clearing businesses were negatively impacted by significantly lower industry trading volumes. In spite of strong performances by major stock market indices over the prior twelve months, the global IPO market in 2012 was relatively unchanged when compared to 2011. Additional impacts on our business drivers include 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 2012 may be characterized as follows:

- A slightly weaker pace of new equity issuance in the U.S. with 72 IPOs on The NASDAQ Stock Market, down from 78 in 2011. IPO activity remained slow in the Nordics with 6 IPOs in 2012 on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic;
- Matched share volume for all of our U.S. cash equity markets decreased by 20.4%, while average daily U.S. share volume fell by 17.9% relative to 2011. Volatility, often a driver of volume levels, was considerably lower in 2012 compared to 2011. Losses in matched share volume were primarily due to lower U.S. consolidated volume, though market share decreased slightly from 21.2% (NASDAQ 18.1%; NASDAQ OMX BX 2.1%; NASDAQ OMX PSX 1.0%) to 20.8% (NASDAQ 17.0%; NASDAQ OMX BX 2.7%; NASDAQ OMX PSX 1.1%);

Matched equity options volume for our three U.S. options exchanges, NASDAQ OMX PHLX, The NASDAQ Options Market, and NASDAQ OMX BX Options, decreased 12.5% compared to 2011, driven mainly by a decrease in overall U.S. options volume. In addition, our combined matched market share for our three U.S. options exchanges decreased by 0.5 percentage points;

A 12.4% decrease relative to 2011 in the average daily number of cash equity trades on our Nordic and Baltic exchanges;

A 25.0% decrease relative to 2011 in the SEK value of cash equity transactions on our Nordic and Baltic exchanges;

A decline of 10.0% experienced by our Nordic and Baltic exchanges relative to 2011 in the number of traded and cleared equity and fixed-income contracts (excluding Finnish option contracts traded on Eurex);

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

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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.

Financial Summary

The following summarizes significant changes in our financial performance for the year ended December 31, 2012 when compared with the same period in 2011.

	Year Ended December 31, 2012	Year Ended December 31, 2011	Percentage Change
	(in millions)		
Revenues less transaction rebates, brokerage, clearance and exchange fees	$ 1,663	$ 1,682	(1.1)%
Operating expenses	973	986	(1.3)%
Operating income	690	696	(0.9)%
Interest expense	(97)	(119)	(18.5)%
Asset impairment charges	(40)	(18)	#
Loss on divestiture of business	(14)		#
Income before income taxes	548	573	(4.4)%
Income tax provision	199	190	4.7%
Net income attributable to NASDAQ OMX	$ 352	$ 387	(9.0)%
Diluted earnings per share	$ 2.04	$ 2.15	(5.1)%

\# Denotes a variance greater than 100.0%.

The decrease in revenues less transaction rebates, brokerage, clearance and exchange fees was primarily due to a decrease in cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees and derivative trading revenues less transaction rebates, brokerage, clearance and exchange fees, partially offset by increases in Corporate Solutions revenues, Access Services revenues, Market Data revenues, Global Index Group revenues, and other market services revenues.

The decrease in operating expenses was primarily due to decreases in merger and strategic initiatives expense and general, administrative and other expense, partially offset by expense related to restructuring actions taken during 2012 and increased professional and contract services expense.

Interest expense decreased primarily due to lower average outstanding debt obligations and lower interest rates in 2012.

Asset impairment charges in 2012 of $40 million were related to certain acquired intangible assets associated with technology ($19 million), customer relationships ($6 million), and a certain trade name ($3 million), as well as an other-than-temporary impairment charge of $12 million related to our equity interest in EMCF. The asset impairment charge in 2011 of $18 million was due to an other-than-temporary impairment charge related to our available-for-sale investment security in Dubai Financial Market PJSC, or DFM.

Loss on divestiture of business in 2012 of $14 million relates to the sale of IDCG. See 2012 Divestiture, of Note 4, Acquisitions and Divestitures, for further discussion.

The increase in the income tax provision reflects an increase in the overall effective tax rate from 33.2% in 2011 to 36.3% in 2012.

Excluding our restructuring charges, merger and strategic initiatives expense, asset impairment charges, loss on divestiture of business and other items that are not reflective of our core business performance, net of taxes, consolidated net income attributable to NASDAQ OMX for the year ended December 31, 2012 was $432 million, or $2.50 per diluted share, compared with $455 million, or $2.53 per diluted share, for the year ended December 31, 2011. See Non-GAAP Financial Measures below for further discussion.

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 7A. Quantitative and Qualitative Disclosures about Market Risk. For the year ended December 31, 2012, approximately 34.8% of our revenues less transaction rebates, brokerage, clearance and exchange fees and 26.5% of our operating income were derived in currencies other than the U.S. dollar, primarily the Swedish Krona, Euro, Norwegian Krone and Danish Krone.

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The following summarizes significant changes in our financial performance for the year ended December 31, 2012 when compared with the same period in 2011:

- Revenues less transaction rebates, brokerage, clearance and exchange fees decreased $19 million, or 1.1%, to $1,663 million in 2012, compared with $1,682 million in 2011, reflecting an unfavorable impact from foreign exchange of $27 million, partially offset by an operational increase in revenues of $8 million. The increase in operational revenues was primarily due to an:
  - increase in Issuer Services revenues of $19 million, primarily from Corporate Solutions and Global Index Group revenues;
  - increase in Access Services revenues of $16 million;
  - increase in Market Data revenues of $15 million, primarily from U.S. market data products;
  - increase in other market services revenues of $11 million, primarily reflecting income from open positions relating to the operations of the exchange; and an
  - increase in Market Technology revenues of $7 million, primarily from delivery project and change request, advisory and broker surveillance revenues, partially offset by a;
  - decrease in cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees of $43 million; and a
  - decrease in derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees of $18 million.
- Operating expenses decreased $13 million, or 1.3%, to $973 million in 2012, compared with $986 million in 2011, reflecting a favorable impact from foreign exchange of $17 million, partially offset by an increase in operating expenses of $4 million. The operational increase in operating expenses was primarily due to restructuring actions taken during 2012 and increased professional and contract services expense, partially offset by decreased merger and strategic initiatives expense and general, administrative and other expense.
- Interest expense decreased $22 million, or 18.5%, to $97 million in 2012, compared with $119 million in 2011, primarily due to lower average outstanding debt obligations and lower interest rates in 2012.
- In 2012, asset impairment charges of $40 million were related to certain acquired intangible assets associated with technology ($19 million), customer relationships ($6 million), and a certain trade name ($3 million), as well as an other-than-temporary impairment charge of $12 million related to our equity interest in EMCF. The asset impairment charge in 2011 of $18 million was due to an other-than-temporary impairment charge related to our available-for-sale investment security in DFM.

In 2012, we sold IDCG and recorded a loss of $14 million. See 2012 Divestiture, of Note 4, Acquisitions and Divestitures, for further discussion.

Income tax provision increased $9 million, or 4.7%, in 2012 compared with 2011, primarily due to the impact to deferred tax assets and deferred tax liabilities resulting from changes in tax rates in various jurisdictions within the U.S. and outside the U.S., as well as a shift in the geographic mix of earnings and losses.

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

2013 Outlook

For the fifth year in a row, more share value traded on The NASDAQ Stock Market than on any other single cash equities exchange in the world. However, 2012 presented a challenging economic environment with uncertainty in Europe and a continuing debate over future fiscal policy in the U.S. By traditional measures, it was also a difficult year for the exchange business. After reaching an all-time high in 2009, U.S. cash equity trading volume fell for a third consecutive year. For the last five years, trading volume in the U.S. and around the world has been driven by volatility associated with the global financial crisis, rather than the prospects for economic growth. While the worst of the financial crisis may be behind us, robust economic growth has yet to develop. Consequently, NASDAQ OMX has intentionally structured its organization to account for the highly cyclical nature of our industry. By diversifying our earnings through the sale of Corporate Solutions, Access Services, Market Technology and Market Data and by delivering on cost savings, NASDAQ OMX has been able to provide stable revenues and operating income during these tough conditions. Should 2013 present an equally difficult environment, we believe our organization is positioned to succeed.

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We launched several important initiatives during 2012 that we expect to benefit us during the challenging and competitive economic environment anticipated for 2013. These new initiatives include the launch of the NASDAQ OMX BX Options market, our third options platform which allows us to support multiple allocation and priority models. The standout performance and flexibility of our technology has enabled us to enter new markets with a low cost and highly regarded platform that offers strong performance to both existing and new clients, while creating additional sales opportunities for both our Transactions Services and Market Data businesses.

In addition, our Corporate Solutions business continued to have solid revenue growth, driven by the acquisitions of a majority interest in BWise in May 2012 and Glide Technologies in October 2011 and growth in our Shareholder.com and GlobeNewswire products. In December 2012, we entered into an agreement with Thomson Reuters to acquire its Investor Relations, Public Relations and Multimedia Solutions businesses. Upon closing, these complementary businesses will be integrated into our Corporate Solutions business. The proposed transaction is subject to customary regulatory approvals and is expected to close in the first half of 2013. We continue to leverage the opportunities in our Corporate Solutions business by offering new products to our expanding customer base and by strengthening our direct relationships with those customers.

During 2012, the U.S. IPO market continued its recovery from the impact of the 2008 financial crisis. In April 2012, President Obama signed into law the Jumpstart Our Business Startups Act, or JOBS Act, which is intended to encourage companies to seek access to public capital through an IPO. The long-term effects of the bill remain to be seen, but the overall increase in IPOs compared to 2011 despite global economic uncertainty is a positive signal when looking ahead to 2013. We expect the demand for public equity capital from companies experiencing the gradual return of global economic growth to support increases in the number of IPOs. Furthermore, an improved outlook for equity investments and the number of private companies seeking capital is expected to add to the IPO pipeline in 2013.

During 2013, we expect to confront changes in both the competitive and regulatory environments. In December 2012, ICE announced plans to acquire NYSE Euronext. The deal is expected to close in the second half of 2013, subject to regulatory and shareholder approvals. Should the proposed transaction be completed, ICE has indicated its intent to spin off Euronext via an IPO. This acquisition has the potential to affect the competitive environment we face in both the U.S. and Europe.

European regulators are currently considering a number of new policies affecting the operation and infrastructure of the financial markets. Also, European regulations governing clearinghouses will be implemented in 2013, impacting our clearing business in the Nordics. We expect global markets to continue to be marked by significant change in 2013, driven primarily by regulatory initiatives in the U.S. and Europe. We expect that cash equities markets will continue to fragment into additional venues, and trading will continue to migrate from exchanges to OTC systems. Conversely, trading in OTC derivatives will begin to move onto exchanges and other public execution facilities.

We expect it is likely that the year ahead will be positive for our business drivers and our operations as the global economy continues to recover. We believe that our aggressive steps in meeting our cost, revenue, and technology objectives over the last three years will enable us to benefit from improving economic conditions in 2013. We will continue to look for opportunities to further diversify our business with enhanced product offerings and/or acquisitions that are complementary to our existing businesses.

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.

Market Services

Our Market Services segment includes our U.S. and European Transaction Services businesses, which include Access Services, as well as our Market Data and Broker Services businesses. 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.

Issuer Services

In 2012, our Issuer Services segment included our Global Listing Services and Global Index Group businesses. We offer capital raising solutions to over 3,300 companies around the globe representing approximately $6.2 trillion in total market value as of December 31, 2012.

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. In addition, through our Corporate Solutions business, we offer companies access to innovative products and software solutions and services that ease transparency, mitigate risk, maximize board efficiency and facilitate better corporate governance.

Market Technology

Our Market Technology business is the world s leading technology solutions provider and partner to exchanges, clearing organizations and central securities depositories. Our technology business also is 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.

Our management allocates resources, assesses performance and manages these businesses as three separate segments. See Note 19, Business Segments, to the consolidated financial statements for further discussion.

As announced in January 2013, we realigned our reportable segments as a result of changes to the organizational structure of our businesses. See Note 20, Subsequent Event, to the consolidated financial statements for further discussion.

Sources of Revenues and Cost of Revenues

Market Services Revenues

<u>Transaction Services</u>

U.S. Cash Equity Trading

U.S. cash equity trading revenues are variable, based on individual customer share volumes, and recognized as transactions occur. We charge transaction fees for executing cash equity trades in NASDAQ-listed and other listed securities on our cash equities exchanges as well as on orders that are routed to other market venues for execution.

In the U.S., we record execution revenues from transactions on a gross basis in revenues and record related expenses as cost of revenues.

For The NASDAQ Stock Market and NASDAQ OMX PSX, we credit a portion of the per share execution charge to the market participant that provides the liquidity, and for NASDAQ OMX BX, we credit a portion of the per share execution charge to the market participant that takes the liquidity. We record these credits as transaction rebates that are included in cost of revenues in the Consolidated Statements of Income. These transaction rebates are paid on a monthly basis and the amounts due are included in accounts payable and accrued expenses in the Consolidated Balance Sheets.

Also, we pay Section 31 fees to the SEC for supervision and regulation of securities markets. We pass these costs along to our customers through our cash equity trading fees. We collect the fees as a pass-through charge from organizations executing eligible trades on NASDAQ s, NASDAQ OMX BX s and NASDAQ OMX PSX s platforms, and we recognize these amounts in cost of revenues when incurred. Section 31 fees received are included in cash and cash equivalents in the Consolidated Balance Sheets at the time of receipt and, as required by law, the amount due to the SEC is remitted semiannually and recorded as Section 31 fees payable to the SEC in the Consolidated Balance Sheets until paid. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on our revenues less transaction rebates, brokerage, clearance and exchange fees. As we hold the cash received until payment to the SEC, we earn interest income on the related cash balances.

European Cash Equity Trading

We charge transaction fees for executing trades on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic. These transaction fees are charged per executed order and as per value traded.

The exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic do not have any revenue sharing agreements or cost of revenues, such as transaction rebates and brokerage, clearance and exchange fees.

U.S. Derivative Trading and Clearing

U.S. derivative trading and clearing revenues are variable, based on traded and cleared volumes, and recognized when executed or when contacts are cleared. The principal types of derivative contracts traded on NASDAQ OMX PHLX, The NASDAQ Options Market and NASDAQ OMX BX Options are equity options, ETF options, index options and currency options. We also operate NFX, which offers trading of futures contracts on spot gold.

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Similar to U.S. cash equity trading, we credit a portion of the per share execution charge to the market participant that provides the liquidity and record the transaction rebate as a cost of revenues in the Consolidated Statements of Income. Also, we pay Section 31 fees to the SEC for supervision and regulation of securities markets. See U.S. Cash Equity Trading above for further discussion.

We engage in riskless principal trading and clearing of OTC power and gas contracts through our subsidiary NOCC. Revenues are based on notional amounts or volume of power and gas transacted and/or delivered and are recognized upon settlement of the contracts.

European Derivative Trading and Clearing

European derivative trading and clearing revenues received from transactions conducted on NASDAQ OMX Stockholm are variable, based on the volume and value of traded and cleared contracts, and recognized when executed or when contracts are cleared. The principal types of derivative contracts traded are stock options and futures, index options and futures, fixed-income options and futures and stock loans. On NASDAQ OMX Stockholm, we offer clearing services for fixed-income options and futures, stock options and futures, and index options and futures by serving as the CCP. In doing so, we guarantee the completion of the transaction and market participants can thereby limit their counterparty risk. We also act as the counterparty for certain OTC contracts.

On NASDAQ OMX Stockholm, we also offer clearing services for resale and repurchase agreements. Clearing revenues for resale and repurchase agreements are based on the value and length of the contract and are recognized when cleared.

NASDAQ OMX Commodities offers trading and clearing of international power derivatives, carbon and other commodities products. Our trading and clearing revenues are variable, based on volume and the value of the contract cleared. Revenues are recognized when contracts are traded or cleared. We also generate clearing revenues for contracts traded on the OTC derivative market which are also recognized when contracts are cleared. In addition, NASDAQ OMX Commodities members are billed an annual fee in January which is recognized ratably over the following 12-month period.

European derivative trading and clearing revenues include revenues from NOS Clearing which we acquired in July 2012. NOS Clearing is a leading Norway-based clearinghouse primarily for OTC traded derivatives for the freight market and seafood derivatives market.

NASDAQ OMX Commodities and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic do not have any revenue sharing agreements or cost of revenues, such as transaction rebates and brokerage, clearance and exchange fees.

Access Services

We generate revenues by providing market participants with several alternatives for accessing our markets for a fee. The type of connectivity is determined by the level of functionality a customer needs. As a result, Access Services revenues vary depending on the type of connection provided to customers. We provide co-location services to market participants whereby firms may lease space for equipment within our data center. These participants are charged monthly fees for cabinet space, connectivity and support. We also earn revenues from annual and monthly exchange membership and registration fees. Revenues for providing access to our markets, co-location services and revenues for monthly exchange membership and registration fees are recognized on a monthly basis as the service is provided. Revenues from annual fees for exchange membership and registration fees are recognized ratably over the following 12-month period.

Access Services revenues also include revenues from FTEN, which we acquired in December 2010. FTEN is a leading provider of RTRM solutions for the financial securities market. As a market leader in RTRM, FTEN provides broker-dealers and their clients the ability to manage risk more effectively in real-time, which leads to better utilization of capital as well as improved regulatory compliance. Revenues for FTEN services are primarily based on subscription agreements with customers and are recognized when an arrangement exists, services are delivered to the customer, the selling price of the services to be provided under the arrangement is fixed or determinable, and collectability is reasonably assured. Most contracts include professional services, implementation fees, monthly subscription fees from customers accessing on-demand services, and customer support. Implementation fees are recognized upon completion of the implementation. Monthly professional services, subscription, and usage fees are recognized in the month the service is provided.

Market Data

Market Data revenues are earned from U.S. tape plans and U.S. and European proprietary market data products.

Net U.S. Tape Plans

Revenues from U.S. tape plans include eligible UTP Plan revenues that are shared among UTP Plan participants and are presented on a net basis. Under the revenue sharing provision of the UTP Plan, we are permitted to deduct costs associated with acting as the exclusive Securities Information Processor from the total amount of tape revenues collected. After these costs are deducted from the tape revenues, we distribute to the respective UTP Plan participants, including The NASDAQ Stock Market, NASDAQ OMX BX and NASDAQ OMX PSX, their share of tape revenues based on a formula, required by Regulation NMS, that takes into account both trading and quoting activity. In addition, all quotes and trades in NYSE- and NYSE MKT-listed securities are reported and disseminated in real time, and as such, we share in the tape revenues for information on NYSE- and NYSE MKT-listed securities. Revenues from net U.S. tape plans are recognized on a monthly basis.

U.S. Market Data Products

We collect and process information and earn revenues as a distributor of our own data, as well as select third-party content. We provide varying levels of quote and trade information to market participants and to data distributors, who in turn sell subscriptions for this information to the public. We earn revenues primarily based on the number of data subscribers and distributors of our data. U.S. Market Data revenues are recognized on a monthly basis. These revenues, which are subscription based, are recorded net of amounts due under revenue sharing arrangements with market participants.

European Market Data Products

European Market Data revenues are based on the trading information from the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, as well as NASDAQ OMX Commodities, for the following classes of securities: cash equities, bonds, derivatives and commodities. We provide varying levels of quote and trade information to market participants and to data distributors, who in turn provide subscriptions for this information. Revenues from European market data are subscription-based, are generated primarily based on the number of data subscribers and distributors of our data and are recognized on a monthly basis.

Broker Services

Our Broker Services operations offer technology and customized securities administration solutions to financial participants in the Nordic market. The primary services offered are flexible back-office systems which allow customers to entirely or partly outsource their company s back-office functions. Revenues from broker services are based on a fixed basic fee for administration or licensing, maintenance and operations, and a variable portion that depends on the number of transactions completed. Broker Services revenues are recognized on a continuous basis as services are rendered.

Issuer Services Revenues

Global Listing Services

U.S. Listing Services

Listing Services revenues in the U.S. include annual renewal fees, listing of additional shares fees and initial listing fees. Annual renewal fees do not require any judgments or assumptions by management as these amounts are recognized ratably over the following 12-month period. Listing of additional shares fees and initial listing fees are recognized on a straight-line basis over estimated service periods, which are four and six years, respectively, based on our historical listing experience and projected future listing duration.

European Listing Services

European listing fees, which are comprised of revenues derived from annual fees received from companies listed on our Nordic and Baltic exchanges and NASDAQ OMX First North, are directly related to the listed companies market capitalization on a trailing 12-month basis. These revenues are recognized ratably over the following 12-month period.

Corporate Solutions

Global Listing Services revenues also include fees from Corporate Solutions. Revenues primarily include subscription income from Shareholder.com, Directors Desk and Glide Technologies, fees from GlobeNewswire and ZVM, and license, maintenance and professional service fees from BWise.

Fee income for services is recognized as those services are provided. Shareholder.com revenues are based on subscription agreements with customers. Revenues from subscription agreements are recognized ratably over the contract period, generally one year in length. As part of subscription services, customers also are charged usage fees based upon actual usage of the services provided. Revenues from usage fees and other services are recognized when earned. Directors Desk revenues are based on subscriptions for online services for directors. Subscriptions are one year in length and revenues are recognized ratably over the year.

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Glide Technologies revenues are primarily based on subscription agreements with customers and are recognized ratably over the contract period, generally one year in length. GlobeNewswire generates fees primarily from wire distribution services, and revenues are recognized as services are provided. ZVM generates revenues from webcasting services and revenues are recognized as services are provided. BWise revenues are primarily based on license, maintenance and service agreements with customers. License and maintenance agreements are generally one year in length and revenues are recognized over the contract period. Professional service revenues are recognized as the services are performed.

Global Index Group

We develop and license NASDAQ OMX branded indexes, associated derivatives and financial products as part of our Global Index Group business. Revenues primarily include license fees from these branded indexes, associated derivatives and financial products in the U.S. and abroad. We also generate revenues by licensing and listing third-party structured products and third-party sponsored ETFs. We primarily have two types of license agreements: transaction-based licenses and asset-based licenses. Transaction-based licenses are generally renewable long-term agreements. Customers are charged based on transaction volume or a minimum contract amount, or both. If a customer is charged based on transaction volume, we recognize revenue when the transaction occurs. If a customer is charged based on a minimum contract amount, we recognize revenue on a pro-rata basis over the licensing term. Asset-based licenses are also generally long-term agreements. Customers are charged based on a percentage of assets under management for licensed products, per the agreement, on a monthly or quarterly basis. These revenues are recorded on a monthly or quarterly basis over the term of the license agreement.

Market Technology Revenues

Market Technology provides technology solutions for trading, clearing, settlement, and information dissemination, and also offers facility management integration, surveillance solutions and advisory services. Revenues are primarily derived from license, support and facility management revenues, delivery project revenues, as well as change request, advisory and broker surveillance revenues.

We enter into multiple-element sales arrangements to provide technology solutions and services to our customers. In order to recognize revenues associated with each individual element of a multiple-element sales arrangement separately, we are required to establish the existence of vendor specific objective evidence, or VSOE, of fair value for each element. When VSOE for individual elements of an arrangement cannot be established, revenue is generally deferred and recognized over either the final element of the arrangement or the entire term of the arrangement for which the services will be delivered.

License and support revenues are derived from the system solutions developed and sold by NASDAQ OMX that are generally entered into in multiple-element sales arrangements. After we have developed and sold a system solution, the customer licenses the right to use the software and may require post contract support and other services. Facility management revenues are also generally entered into in multiple-element sales arrangements and are derived when NASDAQ OMX assumes responsibility for the continuous operation of a system platform for a customer and receives facility management revenues which can be both fixed and volume-based. Revenues for license, support and facility management services are generally deferred and recognized over either the final element of the arrangement or the entire term of the arrangement for which the services will be delivered. We record the deferral of revenue associated with multiple-element sales arrangements in deferred revenue and non-current deferred revenue and the deferral of costs in other current assets and other non-current assets in the Consolidated Balance Sheets.

Delivery project revenues are derived from the installation phase of the system solutions developed and sold by NASDAQ OMX. The majority of our delivery projects involve individual adaptations to the specific requirements of the customer, such as those relating to functionality and capacity. We may customize our software technology and make significant modifications to the software to meet the needs of our customers, and as such, we account for these arrangements under contract accounting. Under contract accounting, when VSOE for valuing certain elements of an arrangement cannot be established, total revenues, as well as costs incurred, are deferred until the customization and significant modifications are complete and are then recognized over the post contract support period. We record the deferral of this revenue in deferred revenue and non-current deferred revenue and the deferral of costs in other current assets and other non-current assets in the Consolidated Balance Sheets.

Change request revenues include customer specific adaptations and modifications of the system solution sold by NASDAQ OMX after delivery has occurred. Change request revenues are recognized in revenue when earned. Advisory services are designed to support our customers strategies and help them with critical decisions in a highly demanding business environment. Advisory services revenues are recognized in revenue when earned. Broker surveillance revenues are derived from surveillance solutions targeting brokers and regulators throughout the world. Broker surveillance revenues are subscription based and are recognized in revenue when earned.

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NASDAQ OMX s Operating Results

Key Drivers

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

	Year Ended December 31, 2012	2011	2010
Market Services			
Cash Equity Trading			
NASDAQ securities			
Total average daily share volume (in billions)	1.75	2.02	2.19
Matched market share executed on NASDAQ	25.6%	27.7%	28.6%
Matched market share executed on NASDAQ OMX BX	2.7%	2.1%	2.9%
Matched market share executed on NASDAQ OMX PSX	1.4%	1.1%	0.1%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	32.3%	30.9%	35.5%
Total market share(1)	62.0%	61.7%	67.1%
NYSE securities			
Total average daily share volume (in billions)	3.64	4.34	4.83
Matched market share executed on NASDAQ	12.9%	13.4%	13.7%
Matched market share executed on NASDAQ OMX BX	2.6%	2.3%	3.6%
Matched market share executed on NASDAQ OMX PSX	0.7%	0.7%	0.1%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	29.8%	27.7%	31.3%
Total market share(1)	46.0%	44.0%	48.7%
NYSE MKT and regional securities			
Total average daily share volume (in billions)	1.05	1.47	1.45
Matched market share executed on NASDAQ	17.0%	18.7%	20.7%
Matched market share executed on NASDAQ OMX BX	2.8%	1.9%	3.1%
Matched market share executed on NASDAQ OMX PSX	1.9%	1.8%	0.1%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	29.3%	25.9%	28.7%
Total market share(1)	51.0%	48.3%	52.6%
Total U.S.-listed securities			
Total average daily share volume (in billions)	6.44	7.84	8.47
Matched share volume (in billions)	334.1	419.6	475.0
Matched market share executed on NASDAQ	17.0%	18.1%	18.8%
Matched market share executed on NASDAQ OMX BX	2.7%	2.1%	3.3%
Matched market share executed on NASDAQ OMX PSX	1.1%	1.0%	0.1%
Total market share	20.8%	21.2%	22.2%
NASDAQ OMX Nordic and NASDAQ OMX Baltic securities			
Average daily number of equity trades	324,322	370,295	284,840
Total average daily value of shares traded (in billions)	$ 3.9	$ 5.1	$ 4.3
Total market share	68.7%	73.1%	76.5%
Derivative Trading and Clearing			
U.S. Equity Options			
Total industry average daily volume (in millions)	14.7	16.8	14.3
NASDAQ OMX PHLX matched market share	21.3%	23.1%	23.4%
The NASDAQ Options Market matched market share	5.5%	4.6%	4.0%
NASDAQ OMX BX Options matched market share	0.4%		
NASDAQ OMX Nordic and NASDAQ OMX Baltic			
Average Daily Volume:			
Options, futures and fixed-income contracts	412,841	458,547	428,523
Finnish option contracts traded on Eurex	85,022	99,394	117,450
NASDAQ OMX Commodities			
Clearing Turnover:			

Power contracts (TWh)[(2)]	1,703	1,747	2,108
Carbon contracts (1000 tCO2)[(2)]	50,375	61,569	31,500

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	Year Ended December 31, 2012	2011	2010
Issuer Services			
Initial public offerings:			
NASDAQ	72	78	89
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic	6	9	11
New listings:			
NASDAQ(3)	158	151	195
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic(4)	18	34	25
Number of listed companies:			
NASDAQ(5)	2,577	2,680	2,778
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic(6)	754	776	780
Market Technology			
Order intake (in millions)(7)	$ 259	$ 134	$ 160
Total order value (in millions)(8)	$ 546	$ 458	$ 495

(1) Includes transactions executed on NASDAQ s, NASDAQ OMX BX s and NASDAQ OMX PSX s systems plus trades reported through the FINRA/NASDAQ TRF.

(2) Primarily transactions executed on Nord Pool and reported for clearing to NASDAQ OMX Commodities measured by TWh and one thousand metric tons of carbon dioxide (1000 tCO_2).

(3) New listings include IPOs, including those completed on a best efforts basis, issuers that switched from other listing venues, closed-end funds and separately listed ETFs.

(4) New listings include IPOs and represent companies listed on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic and companies on the alternative markets of NASDAQ OMX First North.

(5) Number of listed companies for NASDAQ at period end, including separately listed ETFs.

(6) Represents companies listed on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic and companies on the alternative markets of NASDAQ OMX First North at period end.

(7) Total contract value of orders signed during the period.

(8) Represents total contract value of signed orders that are yet to be recognized as revenue. Market Technology deferred revenue, as discussed in Note 8, Deferred Revenue to the consolidated financial statements, represents cash payments received that are yet to be recognized as revenue for these signed orders.

Segment Operating Results

Of our total 2012 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,663 million, 66.4% was from our Market Services segment, 22.5% was from our Issuer Services segment and 11.1% was from our Market Technology segment. Of our total 2011 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,682 million, 67.6% was from our Market Services segment, 21.5% was from our Issuer Services segment and 10.9% was from our Market Technology segment. Of our total 2010 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,516 million, 67.6% was from our Market Services segment, 22.3% was from our Issuer Services segment, 10.0% was from our Market Technology segment and 0.1% related to other revenues.

The following table shows our revenues by segment, cost of revenues for our Market Services segment and total revenues less transaction rebates, brokerage, clearance and exchange fees:

	Year Ended December 31, 2012	2011 (in millions)	2010	Percentage Change 2012 vs. 2011	2011 vs. 2010
Market Services	$ 2,560	$ 2,886	$ 2,700	(11.3)%	6.9%
Cost of revenues	(1,456)	(1,748)	(1,675)	(16.7)%	4.4%
Market Services revenues less transaction rebates, brokerage, clearance and exchange fees	1,104	1,138	1,025	(3.0)%	11.0%
Issuer Services	375	361	338	3.9%	6.8%
Market Technology	184	183	152	0.5%	20.4%
Other			1		#

Total revenues less transaction rebates, brokerage, clearance and exchange fees	$ 1,663	$ 1,682	$ 1,516	(1.1)%	10.9%

\#	Denotes a variance equal to 100.0%.

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MARKET SERVICES

The following table shows total revenues less transaction rebates, brokerage, clearance and exchange fees from our Market Services segment:

	Year Ended December 31,			Percentage Change	
	2012	2011 (in millions)	2010	2012 vs. 2011	2011 vs. 2010
Transaction Services					
Cash Equity Trading Revenues:					
U.S. cash equity trading[(1)]	$ 1,294	$ 1,617	$ 1,600	(20.0)%	1.1%
Cost of revenues:					
Transaction rebates	(854)	(1,087)	(1,094)	(21.4)%	(0.6)%
Brokerage, clearance and exchange fees[(1)]	(318)	(375)	(341)	(15.2)%	10.0%
Total U.S. cash equity cost of revenues	(1,172)	(1,462)	(1,435)	(19.8)%	1.9%
U.S. cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees	122	155	165	(21.3)%	(6.1)%
European cash equity trading	78	93	90	(16.1)%	3.3%
Total cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees	200	248	255	(19.4)%	(2.7)%
Derivative Trading and Clearing Revenues:					
U.S. derivative trading and clearing[(2)]	458	471	390	(2.8)%	20.8%
Cost of revenues:					
Transaction rebates	(250)	(257)	(218)	(2.7)%	17.9%
Brokerage, clearance and exchange fees[(2)]	(34)	(29)	(22)	17.2%	31.8%
Total U.S. derivative trading and clearing cost of revenues	(284)	(286)	(240)	(0.7)%	19.2%
U.S. derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees	174	185	150	(5.9)%	23.3%
European derivative trading and clearing	116	128	115	(9.4)%	11.3%
Total derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees	290	313	265	(7.3)%	18.1%
Access Services Revenues	238	223	173	6.7%	28.9%
Total Transaction Services revenues less transaction rebates, brokerage, clearance and exchange fees	728	784	693	(7.1)%	13.1%
Market Data Revenues:					
Net U.S. tape plans	117	115	117	1.7%	(1.7)%
U.S. market data products	150	135	126	11.1%	7.1%
European market data products	77	83	70	(7.2)%	18.6%
Total Market Data revenues	344	333	313	3.3%	6.4%
Broker Services Revenues	19	19	15		26.7%

Other Market Services Revenues	13	2	4	#	(50.0)%
Total Market Services revenues less transaction rebates, brokerage, clearance and exchange fees	$ 1,104	$ 1,138	$ 1,025	(3.0)%	11.0%

\# Denotes a variance greater than 100.0%.

(1) Includes Section 31 fees of $277 million in 2012, $304 million in 2011 and $252 million in 2010. Section 31 fees are recorded as U.S. cash equity trading revenues with a corresponding amount recorded in cost of revenues.

(2) Includes Section 31 fees of $32 million in 2012, $26 million in 2011 and $19 million in 2010. Section 31 fees are recorded as U.S. derivative trading and clearing revenues with a corresponding amount recorded in cost of revenues.

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Transaction Services

Transaction Services revenues less transaction rebates, brokerage, clearance and exchange fees decreased in 2012 compared with 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to a decline in cash equity trading revenues less transaction rebates, brokerage, clearance, and exchange fees, a decline in derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees, and an unfavorable impact from foreign exchange of $11 million. Partially offsetting the decrease was an increase in Access Services revenues. The increase in 2011 was primarily due to an increase in derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees and Access Services revenues. The increase in 2011 was partially offset by lower cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees.

U.S. Cash Equity Trading Revenues

U.S. cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees decreased in both 2012 compared to 2011 and 2011 compared with 2010. The decreases were primarily due to declines in industry trading volumes and declines in our matched market share. The decrease in 2011 was partially offset by modified rates.

U.S. cash equity trading revenues decreased in 2012 compared to 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to a decline in industry trading volumes, a decline in our matched market share, and a decrease in Section 31 pass-through fee revenues. The increase in 2011 was primarily due to an increase in Section 31 pass-through fee revenues and modified rates, partially offset by a decline in industry trading volumes and a decline in our matched market share.

We record Section 31 fees as U.S. cash equity trading revenues with a corresponding amount recorded as cost of revenues. We are assessed these fees from the SEC and pass them through to our customers in the form of incremental fees. Pass-through fees can increase or decrease due to rate changes by the SEC, our percentage of the overall industry volumes processed on our systems, and differences in actual dollar value of shares traded. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on our revenues less transaction rebates, brokerage, clearance and exchange fees. Section 31 fees were $277 million in 2012, $304 million in 2011 and $252 million in 2010. The decrease in 2012 compared with 2011 was primarily due to lower dollar value traded on the NASDAQ and NASDAQ OMX BX trading systems, partially offset by higher pass-through fee rates. The increase in 2011 compared with 2010 was primarily due to higher pass-through fee rates in 2011, partially offset by lower dollar value traded on the NASDAQ and NASDAQ OMX BX trading systems.

For NASDAQ and NASDAQ OMX PSX, we credit a portion of the per share execution charge to the market participant that provides the liquidity and for NASDAQ OMX BX, we credit a portion of the per share execution charge to the market participant that takes the liquidity. These transaction rebates decreased in both 2012 compared with 2011 and 2011 compared with 2010. The decrease in 2012 was primarily due to a decline in industry trading volumes and our matched market share. The decrease in 2011 was primarily due to a decline in industry trading volumes and our matched market share, partially offset by higher average rebate rates due to changes in our pricing program on the NASDAQ, NASDAQ OMX BX and NASDAQ OMX PSX trading systems.

Brokerage, clearance and exchange fees decreased in 2012 compared to 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to a decrease in Section 31 pass-through fees and a decrease in the amount of volume routed by NASDAQ due to declines in industry trading volumes and our matched market share. The increase in 2011 was primarily due to an increase in Section 31 pass-through fees, partially offset by a decrease in the amount of volume routed by NASDAQ due to declines in industry trading volumes and our matched market share.

European Cash Equity Trading Revenues

European cash equity trading revenues include trading revenues from equity products traded on the NASDAQ OMX Nordic and NASDAQ OMX Baltic exchanges. European cash equity trading revenues decreased in 2012 compared to 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to a decline in trading activity and an unfavorable impact from foreign exchange of $5 million. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $7 million, partially offset by a decrease in trading activity.

U.S. Derivative Trading and Clearing Revenues

Both the U.S. derivative trading and clearing revenues and revenues less transaction rebates, brokerage, clearance and exchange fees decreased in 2012 compared to 2011 and increased in 2011 compared with 2010. The decreases in 2012 were primarily due to declines in industry trading volumes and declines in market share on the NASDAQ OMX PHLX market, partially offset by increases in revenue capture per traded contract, increases in market share on the NASDAQ Options Market and the inclusion of the NASDAQ OMX BX Options market, launched in June

2012. The increases in 2011 were primarily due to increases in industry trading volumes and our matched market share. The increase in U.S. derivative trading and clearing revenues in 2011 compared with 2010 was also due to higher Section 31 pass-through fee revenues as discussed below.

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Similar to U.S. cash equity trading, Section 31 fees are recorded as derivative trading and clearing revenues with a corresponding amount recorded as cost of revenues. We are assessed these fees from the SEC and pass them through to our customers in the form of incremental fees. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on our revenues less transaction rebates, brokerage, clearance and exchange fees. Section 31 fees were $32 million in 2012, $26 million in 2011 and $19 million 2010. The increase in 2012 compared to 2011 was primarily due to higher pass-through fee rates, partially offset by a decrease in industry trading volumes. The increase in 2011 compared to 2010 was primarily due an increase in industry trading volumes and higher pass-through fee rates.

Transaction rebates, in which we credit a portion of the per share execution charge to the market participant, decreased in 2012 compared with 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to a decrease in industry trading volumes and a decrease in market share, partially offset by an increase in transaction capture rate. The increase in 2011 was primarily due to increases in industry trading volumes and market share.

Brokerage, clearance and exchange fees increased in both 2012 compared with 2011 and 2011 compared with 2010. The increases were primarily due to an increase in Section 31 pass-through fees.

European Derivative Trading and Clearing Revenues

European derivative trading and clearing revenues include trading and clearing revenues from derivative products traded on NASDAQ OMX Stockholm, clearing revenues from resale and repurchase agreements on NASDAQ OMX Nordic Clearing and revenues from NASDAQ OMX Commodities. Beginning in July 2012, revenues from NASDAQ OMX Commodities includes revenues from NOS Clearing for OTC traded derivatives for the freight market and seafood derivatives market. Beginning in May 2010, revenues from NASDAQ OMX Commodities includes trading and clearing revenues for energy and carbon products from Nord Pool. European derivative trading and clearing revenues decreased in 2012 compared with 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to lower trading activity for index options and futures contracts and an unfavorable impact from foreign exchange of $5 million. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $11 million, partially offset by lower trading activity in energy products.

The following table shows revenues from European derivative trading and clearing:

	Year Ended December 31,			Percentage Change	
	2012	2011 (in millions)	2010	2012 vs. 2011	2011 vs. 2010
European Derivative Trading and Clearing Revenues:					
Options and futures contracts	$ 43	$ 55	$ 49	(21.8)%	12.2%
Energy carbon and other commodity products	46	45	41	2.2%	9.8%
Fixed-income products	22	22	18		22.2%
Other revenues and fees	5	6	7	(16.7)%	(14.3)%
Total European Derivative Trading and Clearing revenues	$ 116	$ 128	$ 115	(9.4)%	11.3%

Access Services Revenues

Access Services revenues increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to increased demand for services and revenues from new products. The increase in 2011 was primarily due to an increase in revenues from FTEN, which was acquired in December 2010, and increased demand for services.

Market Data

Market Data revenues increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to increases in U.S. market data products revenues and net U.S. tape plans revenues, partially offset by a decline in European market data products revenues. The increase in 2011 was primarily due to increases in U.S. and European market data products revenues and a favorable impact from foreign exchange, partially offset by a decrease in net U.S. tape plans revenues.

Net U.S. Tape Plans Revenues

The increase in net U.S. tape plans revenues in 2012 compared with 2011 was primarily due to an increase in our quoting market share. The decline in net U.S. tape plans revenues in 2011 compared with 2010 was primarily due to lower plan shareable revenues and declines in NASDAQ s trading and quoting market share of U.S. cash equities, as calculated under the SEC-mandated market data revenue quoting and trading formula.

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U.S. Market Data Products Revenues

The increase in U.S. market data products revenues in 2012 compared with 2011 was primarily due to higher customer demand for proprietary data products and pricing changes. The increase in U.S. market data products revenues in 2011 compared with 2010 was primarily due to higher customer demand for proprietary data products, mainly index data, and higher audit collections.

European Market Data Products Revenues

The decrease in European market data products in 2012 compared with 2011 was primarily due to an unfavorable impact from foreign exchange of $4 million and a decline in user populations. The increase in European market data products revenues in 2011 compared with 2010 was primarily due to modified fees for market data products and a favorable impact from foreign exchange of $6 million.

Broker Services

Broker Services revenues were flat in 2012 compared to 2011 and increased in 2011 compared with 2010. The increase in 2011 was primarily due to new customers and a favorable impact from foreign exchange of $2 million.

Other Market Services

The increase in other Market Services revenues in 2012 compared with 2011 was primarily due to income from open positions relating to the operations of the exchange.

ISSUER SERVICES

The following table shows revenues from our Issuer Services segment:

	Year Ended December 31,			Percentage Change	
	2012	2011 (in millions)	2010	2012 vs. 2011	2011 vs. 2010
Global Listing Services Revenues:					
Annual renewal	$ 112	$ 117	$ 113	(4.3)%	3.5%
Listing of additional shares	39	40	39	(2.5)%	2.6%
Initial listing	20	21	22	(4.8)%	(4.5)%
Total U.S. listing services	171	178	174	(3.9)%	2.3%
European listing services	50	55	51	(9.1)%	7.8%
Corporate Solutions	97	76	66	27.6%	15.2%
Total Global Listing Services revenues	318	309	291	2.9%	6.2%
Global Index Group Revenues	57	52	47	9.6%	10.6%
Total Issuer Services revenues	$ 375	$ 361	$ 338	3.9%	6.8%

Global Listing Services

Global Listing Services revenues increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to an increase in Corporate Solutions revenues, partially offset by decreases in total U.S. listing services and European listing services revenues. The increase in 2011 was primarily due to an increase in Corporate Solutions revenues.

The decrease in total U.S. listing services revenues in 2012 compared with 2011 was primarily due to a decrease in annual renewal revenues resulting from a decline in the number of listed companies from 2,680 as of December 31, 2011 to 2,577 as of December 31, 2012.

European listing services revenues decreased in 2012 compared with 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to an unfavorable impact from foreign exchange of $3 million, as well as a decrease in the number of listed companies from 776 as of December 31, 2011 to 754 as of December 31, 2012. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $5 million.

Corporate Solutions revenues increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to revenues from BWise, which was acquired in May 2012, and Glide Technologies, which was acquired in October 2011, as well as expanded customer utilization of GlobeNewswire, Shareholder.com and Directors Desk products, partially offset by an unfavorable impact from foreign exchange of $2 million. The increase in 2011 was primarily due to expanding customer utilization of Shareholder.com, Directors Desk and GlobeNewswire products, as well as revenues from ZVM, which was acquired in December 2010, and Glide Technologies, which was acquired in October 2011.

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Global Index Group Revenues

Global Index Group revenues increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to an increase in the underlying assets associated with NASDAQ OMX-licensed ETFs and other financial products due to product growth and newly executed product licenses, partially offset by lower futures and options volumes. The increase in 2011 was primarily due to an increase in the underlying assets associated with NASDAQ OMX-licensed ETFs, as well as additional demand for new licensed ETFs and other financial products, partially offset by lower futures and options volumes.

MARKET TECHNOLOGY

The following table shows revenues from our Market Technology segment:

	Year Ended December 31,			Percentage Change	
	2012	2011 (in millions)	2010	2012 vs. 2011	2011 vs. 2010
Market Technology:					
License, support and facility management	$ 110	$ 115	$ 103	(4.3)%	11.7%
Delivery project	27	24	17	12.5%	41.2%
Change request, advisory and broker surveillance	47	44	32	6.8%	37.5%
Total Market Technology revenues	$ 184	$ 183	$ 152	0.5%	20.4%

Market Technology revenues increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to operational increases in delivery project revenues and change request, advisory and broker surveillance revenues, partially offset by an unfavorable impact from foreign exchange of $6 million. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $18 million, as well as operational increases in change request, advisory and broker surveillance revenues and delivery project revenues.

License, Support and Facility Management Revenues

License, support and facility management revenues decreased in 2012 compared with 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to an unfavorable impact from foreign exchange of $4 million. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $12 million.

Delivery Project Revenues

Delivery project revenues increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to the recognition of previously deferred revenues in the current period, partially offset by an unfavorable impact from foreign exchange of $2 million. The increase in 2011 was primarily due to the recognition of previously deferred revenues in 2011, as well as a favorable impact from foreign exchange of $2 million. Delivery project revenues are derived from the system solutions developed and sold by NASDAQ OMX. Total revenues, as well as costs incurred, are typically deferred until the customization and any significant modifications are completed and are then recognized over the post contract support period.

Change Request, Advisory and Broker Surveillance Revenues

Change request, advisory and broker surveillance revenues increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to an increase in broker surveillance revenues resulting from increased customer demand, partially offset by a decrease in change request and advisory revenues. The increase in 2011 was primarily due to an increase in broker surveillance revenues resulting from our acquisition of SMARTS in August 2010 and a favorable impact from foreign exchange of $4 million.

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Total Order Value

As of December 31, 2012, total order value, which represents the total contract value of orders signed that are yet to be recognized as revenues, was $546 million. Market Technology deferred revenue of $149 million, which is included in this amount, represents cash payments received that are yet to be recognized as revenue for these signed orders. See Note 8, Deferred Revenue, to the consolidated financial statements for further discussion. The recognition and timing of these revenues depends on many factors, including those that are not within our control. As such, the following table of Market Technology revenues to be recognized in the future represents our best estimate:

	Total Order Value (in millions)
Fiscal year ended:	
2013	$ 157
2014	129
2015	94
2016	72
2017	51
2018 and thereafter	43
Total	$ 546

Expenses

Operating Expenses

The following table shows our operating expenses:

	Year Ended December 31,			Percentage Change	
	2012	2011 (in millions)	2010	2012 vs. 2011	2011 vs. 2010
Compensation and benefits	$ 454	$ 458	$ 412	(0.9)%	11.2%
Marketing and advertising	26	24	20	8.3%	20.0%
Depreciation and amortization	104	109	103	(4.6)%	5.8%
Professional and contract services	96	83	72	15.7%	15.3%
Computer operations and data communications	60	65	58	(7.7)%	12.1%
Occupancy	93	91	88	2.2%	3.4%
Regulatory	34	35	35	(2.9)%	
Merger and strategic initiatives	4	38	4	(89.5)%	#
Restructuring charges	44			#	
General, administrative and other	58	83	93	(30.1)%	(10.8)%
Total operating expenses	$ 973	$ 986	$ 885	(1.3)%	11.4%

\# Denotes a variance greater than 100.0%.

Total operating expenses decreased $13 million in 2012 compared with 2011 and increased $101 million in 2011 compared with 2010. The decrease in 2012 reflects a favorable impact from foreign exchange of $17 million, partially offset by an increase in operating expenses of $4 million. The increase in 2011 reflects an operational increase of $67 million and an unfavorable impact from foreign exchange of $34 million. The operational increase of $4 million in 2012 was primarily due to restructuring actions taken during 2012 and an increase in professional and contract services expense, partially offset by decreases in merger and strategic initiatives expense and general, administrative and other expense. The operational increase of $67 million in 2011 was primarily due to increases in merger and strategic initiatives expense, compensation and benefits expense, professional and contract services expense, marketing and advertising expense and computer operations and data communications expense, partially offset by a decrease in general, administrative and other expense.

Compensation and benefits expense decreased in 2012 compared with 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to a favorable impact from foreign exchange of $8 million and lower compensation expense reflecting reduced financial performance and restructuring activities, partially offset by an increase in salary expense, primarily due to our acquisitions of Glide Technologies in October 2011, BWise in May 2012 and NOS Clearing in July 2012. The increase in 2011 was primarily due to an increase in salary expense from SMARTS, FTEN and ZVM, which were acquired in the second half of 2010, and Glide Technologies, which was acquired in October 2011, and higher compensation expenses reflecting stronger financial performance, as well as an unfavorable impact from foreign exchange of $17 million. Headcount, including staff employed at consolidated entities where we have a controlling financial interest, increased to 2,506 employees at December 31, 2012 from 2,433 employees at December 31, 2011 and 2,395 employees at December 31, 2010. The increase in headcount in 2012 compared to 2011 was primarily due to our acquisition of BWise, partially offset by workforce reductions of 226 positions across our organization related to restructuring actions in 2012. See Note 3, Restructuring Charges, to the consolidated financial statements for a discussion of our restructuring charges incurred in 2012. The increase in headcount in 2011 compared with 2010 was primarily due to our acquisition of Glide Technologies in October 2011.

Marketing and advertising expense increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to increased brand advertising primarily featuring listed issuers. The increase in 2011 was primarily due to increased advertising on behalf of new issuers.

Depreciation and amortization expense decreased in 2012 compared with 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to the write-off of certain acquired intangible assets associated with technology ($19 million), customer relationships ($6 million), and a certain trade name ($3 million), the write-off and disposal of leasehold improvements, asset impairments related to restructuring activities, primarily consisting of fixed assets and capitalized software which have been retired, and a favorable impact from foreign exchange of $2 million, partially offset by additional depreciation and amortization expense as a result of our recent acquisitions, primarily BWise in May 2012. The increase in 2011 was primarily due to an unfavorable impact from foreign exchange of $4 million, as well as additional depreciation and amortization expense as a result of our acquisitions of SMARTS, FTEN and ZVM, which were acquired in the second half of 2010, and Glide Technologies, which was acquired in October 2011.

Professional and contract services expense increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to costs incurred for special legal expenses, as well as incremental spending for professional and contract services, partially offset by a favorable impact from foreign exchange of $2 million. The increase in 2011 was primarily due to costs incurred for information technology security consultants and an unfavorable impact from foreign exchange of $3 million.

Computer operations and data communications expense decreased in 2012 compared with 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to a value added tax, or VAT, refund relating to prior periods and a favorable impact from foreign exchange of $1 million, partially offset by additional computer operations and data communications expense as a result of our recent acquisitions, primarily Glide Technologies in October 2011 and BWise in May 2012. The increase in 2011 was primarily due to our acquisitions of SMARTS, FTEN and ZVM, which were acquired in the second half of 2010, and an unfavorable impact from foreign exchange of $3 million.

Occupancy expense increased in both 2012 compared with 2011 and 2011 compared with 2010. The increase in 2012 was primarily due to additional occupancy expense as a result of our recent acquisitions, primarily BWise in May 2012, as well as a $3 million sublease loss reserve charge on space we currently occupy due to an increase in net rental costs, partially offset by a favorable impact from foreign exchange of $1 million. The increase in 2011 was primarily due to an unfavorable impact from foreign exchange of $3 million.

Merger and strategic initiatives expense was $4 million in 2012 compared with $38 million in 2011 and $4 million in 2010. Merger and strategic initiatives expense for 2012 primarily related to our agreement with Thomson Reuters to acquire its Investor Relations, Public Relations and Multimedia Solutions businesses and costs related to recent acquisitions and other strategic initiatives, partially offset by a gain on our acquisition of NOS Clearing in July 2012. Merger and strategic initiatives expense for 2011 primarily related to costs incurred for advisors, bank commitment fees, legal and other professional services related to our joint proposal to acquire NYSE Euronext, as well as costs related to our acquisition of Glide Technologies in October 2011. Merger and strategic initiatives expense for 2010 included legal and consulting costs related to our acquisitions of SMARTS and FTEN and costs related to strategic initiatives.

Restructuring charges were $44 million in 2012. See Note 3, Restructuring Charges, to the consolidated financial statements for a discussion of our restructuring charges recorded during 2012. Cash expenditures for severance and other charges necessary to execute our restructuring actions were $20 million in 2012. Such expenditures, primarily for severance and other charges, have been funded with operating cash flows. We generated pre-tax savings of approximately $60 million in 2012 from our restructuring actions, and we expect an annualized savings of $60 million beginning in 2013.

General, administrative and other expense decreased in both 2012 compared with 2011 and 2011 compared with 2010. In 2011, we recorded a pre-tax charge of $25 million related to the write-off of a portion of the unamortized balance of debt issuance costs and debt discount related to the repayment of $335 million of the aggregate principal amount outstanding of our 2013 Convertible Notes that was completed in October 2011, and a pre-tax charge of $6 million recorded in 2011 related to the write-off of the remaining unamortized balance of debt issuance costs related to our $700 million senior unsecured term loan facility that was repaid in

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September 2011. General, administrative and other expense included a favorable impact from foreign exchange of $3 million in 2012 and an unfavorable impact from foreign exchange of $4 million in 2011. General, administrative and other expense for 2010 included a pre-tax charge of $40 million, which included the write-off of the remaining unamortized balance of debt issuance costs of $28 million incurred in conjunction with our senior secured credit facilities in place as of December 31, 2009, costs to terminate our float-to-fixed interest rate swaps previously designated as a cash flow hedge of $9 million and other costs of $3 million.

Non-operating Income and Expenses

The following table shows our non-operating income and expenses:

	Year Ended December 31,			Percentage Change	
	2012	2011 (in millions)	2010	2012 vs. 2011	2011 vs. 2010
Interest income	$ 10	$ 11	$ 9	(9.1)%	22.2%
Interest expense	(97)	(119)	(102)	(18.5)%	16.7%
Net interest expense	(87)	(108)	(93)	(19.4)%	16.1%
Asset impairment charges	(40)	(18)		#	#
Dividend and investment income		1	(3)	#	#
Loss on divestiture of businesses	(14)		(11)	#	#
Income (loss) from unconsolidated investees, net	(1)	2	2	#	
Total non-operating expenses	$ (142)	$ (123)	$ (105)	15.4%	17.1%

\# Denotes a variance equal to or greater than 100.0%.

Total non-operating expenses were $142 million in 2012 compared with $123 million in 2011 and $105 million in 2010. Total non-operating expenses for 2012 primarily include net interest expense of $87 million, asset impairment charges of $40 million and a loss on divestiture of business of $14 million. Total non-operating expenses for 2011 primarily include net interest expense of $108 million and an impairment charge of $18 million on our investment security in DFM. Total non-operating expenses for 2010 primarily include net interest expense and a pre-tax loss on divesture of businesses.

Interest Income

Interest income decreased slightly in 2012 compared with 2011 and increased in 2011 compared with 2010. The decrease in 2012 was primarily due to a decrease in cash and cash equivalents in 2012. The increase in 2011 was primarily due to an increase in cash and cash equivalents in 2011 and a favorable impact from foreign exchange of $1 million.

Interest Expense

Interest expense for 2012 was $97 million, and was comprised of $86 million of interest expense, $4 million of non-cash expense associated with accretion of debt discounts, $3 million of non-cash debt issuance amortization expense, and $4 million of other bank and investment-related fees. Interest expense decreased in 2012 compared with 2011 due to lower average outstanding debt obligations in 2012 primarily resulting from the extinguishment of $335 million of our 2013 Convertible Notes in the fourth quarter of 2011, as well as lower average interest rates.

Interest expense for 2011 was $119 million, and was comprised of $97 million of interest expense, $13 million of non-cash expense associated with accretion of debt discounts, $6 million of non-cash debt issuance amortization expense, and $3 million of other bank and investment-related fees. Interest expense increased in 2011 compared with 2010 primarily due to higher average outstanding debt obligations in 2011 resulting from the issuance of our 2018 Notes in December 2010.

See Note 9, Debt Obligations, to the consolidated financial statements for further discussion of our debt obligations.

Asset Impairment Charges

In the second quarter of 2012, we recorded non-cash intangible asset impairment charges totaling $28 million related to certain acquired intangible assets associated with technology ($19 million), customer relationships ($6 million) and a certain trade name ($3 million). See Intangible Asset Impairment Charges, of Note 5, Goodwill and Purchased Intangible Assets, to the consolidated financial statements for further discussion. In the first quarter of 2012, we also recorded a non-cash other-than-temporary impairment charge of $12 million related to our equity interest in EMCF. See Equity Method Investments, of Note 6, Investments, to the consolidated financial statements for further discussion.

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In the fourth quarter of 2011, we recorded a non-cash, other-than-temporary impairment charge of $18 million related to our available-for-sale investment security in DFM. As of December 31, 2011, the cost basis of this investment security was $36 million and the fair value was $18 million. We reviewed the carrying amount of this investment security to determine whether an other-than-temporary decline in value existed as of December 31, 2011. We considered factors affecting the investee, factors affecting the industry the investee operates in and general market trends. We also considered the length of time the market value had been below the carrying amount and the near-term prospects for recovery of unrealized losses. Based on this review, we determined that the decline in value of this security below its carrying amount was other than temporary and we wrote down our investment to fair value which resulted in the $18 million pre-tax, non-cash impairment charge.

Dividend and Investment Income

Dividend and investment income increased in 2011 compared with 2010. The increase in 2011 was primarily due to an increase in the fair value of our government debt securities portfolio as a result of decreased interest rates.

Loss on Divestiture of Businesses

In August 2012, we sold IDCG and recorded a loss of $14 million. See 2012 Divestiture, of Note 4, Acquisitions and Divestitures, for further discussion.

The loss on divestiture of businesses of $11 million in 2010 was due to our decision to close the businesses of both NEURO ($6 million) and Agora-X ($5 million) in the second quarter of 2010.

Income (Loss) from Unconsolidated Investees, net

Net loss from unconsolidated investees of $1 million in 2012 and net income of $2 million in both 2011 and 2010 was related to our share in the earnings and losses of our equity method investments.

Income Taxes

NASDAQ OMX s income tax provision was $199 million in 2012 compared with $190 million in 2011 and $137 million in 2010. The overall effective tax rate was 36.3% in 2012, 33.2% in 2011 and 26.0% in 2010. The higher effective tax rate in 2012 when compared to 2011 was primarily due to the impact to deferred tax assets and deferred tax liabilities resulting from changes in tax rates in various jurisdictions within the U.S. and outside the U.S., adjustments related to our 2005 2011 tax return liabilities which resulted in an increase to the tax provision and a shift in the geographic mix of earnings and losses. These increases are partially offset by a permanent tax benefit associated with certain taxable foreign exchange revaluation losses which are not reflected in pre-tax earnings. The increase in the effective tax rate in 2011 when compared with 2010 was due to the impact of changes in tax laws in certain jurisdictions where NASDAQ OMX operates. Furthermore, in the third quarter of 2011, we recorded significant adjustments due to provision-to-tax return adjustments related to our 2010 tax return liabilities and a corresponding effect on deferred tax liabilities both which increased NASDAQ OMX s tax provision in 2011. Also, 2010 results included reductions in deferred tax liabilities due to a revised effective tax rate and a tax deduction for a capital loss.

The effective tax rate may vary from period to period depending on, among other factors, the geographic and business mix of earnings and losses. These same and other factors, including history of pre-tax earnings and losses, are taken into account in assessing the ability to realize deferred tax assets.

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 consolidated financial statements. Interest and/or penalties related to income tax matters are recognized in income tax expense.

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. 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. Non-U.S. tax returns are subject to review by the respective tax authorities for the years 2005 through 2011. In 2012, we settled audits with the state of New York and paid a total of $10 million with respect to the years 2000 through 2006. Of the $10 million paid, $5 million relates to tax and $5 million relates to interest. Since we included $2 million in our unrecognized tax benefits as of December 31, 2011, $3 million affected our 2012 effective tax rate. The outcome of this audit did not have a material impact on our financial position or results of operations. We anticipate that the amount of unrecognized tax benefits at December 31, 2012 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.

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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 demands 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, even though the tax return position with respect to this deduction was previously reviewed and approved by the Finnish Tax Authority. NASDAQ OMX has decided to appeal the ruling by the Finnish Appeals Board to the Finnish Administrative Court. If the Finnish Administrative Court agrees with the Finnish Appeals Board, additional tax and penalties for the years 2008 through 2012 would total approximately $20 million. We expect the Finnish Administrative Court to agree with our position and, as such, believe it is unlikely NASDAQ OMX will be assessed any additional tax and penalties. Through December 31, 2012, we have recorded the tax benefits associated with the filing position.

Net Loss Attributable to Noncontrolling Interests

Net loss attributable to noncontrolling interests was $3 million in 2012 compared with $4 million in 2011 and $6 million in 2010. The losses are primarily attributable to noncontrolling interests in IDCG.

Non-GAAP Financial Measures

In addition to disclosing results determined in accordance with U.S. GAAP, we also have provided non-GAAP net income attributable to NASDAQ OMX and non-GAAP diluted earnings per share. Management uses this non-GAAP information internally, along with U.S. GAAP information, in evaluating our performance and in making financial and operational decisions.

We believe our presentation of these measures provides investors with greater transparency and supplemental data relating to our financial condition and results of operations. In addition, we believe the presentation of these measures is useful to investors for period-to-period comparison of results as the items described below do not reflect operating performance. These measures are not in accordance with, or an alternative to, U.S. GAAP, and may be different from non-GAAP measures used by other companies. Investors should not rely on any single financial measure when evaluating our business. We recommend investors review the U.S. GAAP financial measures included in this Annual Report on Form 10-K, including our consolidated financial statements and the notes thereto. When viewed in conjunction with our U.S. GAAP results and the accompanying reconciliation, we believe these non-GAAP measures provide greater transparency and a more complete understanding of factors affecting our business than U.S. GAAP measures alone. Our management uses these measures to evaluate operating performance, and management decisions during the reporting period are made by excluding certain items that we believe have less significance on, or do not impact, the day-to-day performance of our business. We understand that analysts and investors regularly rely on non-GAAP financial measures, such as non-GAAP net income and non-GAAP diluted earnings per share, to assess operating performance. We use non-GAAP net income attributable to NASDAQ OMX and non-GAAP diluted earnings per share because they more clearly highlight trends in our business that may not otherwise be apparent when relying solely on U.S. GAAP financial measures, since these measures eliminate from our results specific financial items that have less bearing on our operating performance. Non-GAAP net income attributable to NASDAQ OMX for the periods presented below is calculated by adjusting net income attributable to NASDAQ OMX for charges or gains related to acquisition and divestiture transactions, integration activities related to acquisitions, other significant infrequent charges or gains and their related income tax effects that are not related to our core business. We do not believe these items are representative of our future operating performance since these charges were not consistent with our normal operating performance.

Non-GAAP adjustments for the year ended December 31, 2012 primarily related to the following:

(i) income from open positions relating to the operations of the exchange of $11 million, (ii) merger and strategic initiatives costs of $4 million related to recent acquisitions and other strategic initiatives, net of gain on acquisition of NOS Clearing, (iii) restructuring charges of $44 million related to workforce reductions of $23 million, facilities-related charges of $10 million, asset impairment charges of $9 million and $2 million of other charges, (iv) intangible asset impairment charges of $40 million related to certain acquired intangible assets totaling $28 million as well as an other-than-temporary impairment charge related to our equity method interest in EMCF of $12 million, (v) a loss on divestiture of business of $14 million related to the sale of IDCG, (vi) special legal expenses of $7 million, (vii) a sublease loss reserve charge of $3 million recorded on space we currently occupy due to an increase in rental costs, (viii) a VAT refund of $7 million relating to prior periods, (ix) adjustment to the income tax provision of $32 million to reflect these non-GAAP adjustments, and (x) significant tax adjustments, net of $14 million due to the impact to deferred tax assets and deferred tax liabilities resulting from changes in tax rates in various jurisdictions within the U.S. and outside the U.S., adjustments related to our 2005 2011 tax return liabilities which resulted in an increase to the tax provision, partially offset by a permanent tax benefit associated with certain taxable foreign exchange revaluation losses which are not reflected in pre-tax earnings.

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Non-GAAP adjustments for the year ended December 31, 2011 primarily related to the following:

(i) merger and strategic initiatives costs of $38 million, primarily costs for advisors, bank commitment fees, legal and other professional services, related to our joint proposal to acquire NYSE Euronext, as well as costs related to recent acquisitions and other strategic initiatives, (ii) an asset impairment charge of $18 million related to our available-for-sale investment security in DFM, (iii) debt extinguishment and refinancing charges of $31 million, related to the repayment of the 2013 Convertible Notes and the repayment of our $700 million senior unsecured term loan facility, (iv) an adjustment to the income tax provision of $28 million to reflect these non-GAAP adjustments, and (v) significant tax adjustments, net of $5 million due to the impact of changes in tax laws in certain jurisdictions where NASDAQ OMX operates.

Non-GAAP adjustments for the year ended December 31, 2010 primarily related to the following:

(i) merger and strategic initiatives costs of $4 million, consisting primarily of costs for legal and consulting related to our acquisitions of SMARTS and FTEN, (ii) a loss on divestiture of businesses of $11 million due to our decision to close the businesses of both NEURO ($6 million) and Agora-X ($5 million), (iii) debt extinguishment and refinancing charges of $40 million related to the repayment of our senior secured credit facilities in place as of December 31, 2009, (iv) a sublease loss reserve charge of $5 million recorded on space we occupy in Philadelphia, San Francisco and London due to our decision to vacate space in these properties, (v) asset retirement charges of $2 million primarily related to obsolete technology, (vi) workforce reduction costs of $9 million related to acquisitions, (vii) an adjustment to the income tax provision of $28 million to reflect these non-GAAP adjustments, and (viii) significant tax adjustments, net of $32 million due to provision-to-tax return adjustments related to our 2009 tax return liabilities.

The following table represents reconciliations between U.S. GAAP net income and diluted earnings per share and non-GAAP net income and diluted earnings per share:

	Year Ended December 31, 2012		Year Ended December 31, 2011		Year Ended December 31, 2010	
	Net Income	Diluted Earnings Per Share	Net Income	Diluted Earnings Per Share	Net Income	Diluted Earnings Per Share
	(in millions, except per share amounts)					
U.S. GAAP net income attributable to NASDAQ OMX and diluted earnings per share	$ 352	$ 2.04	$ 387	$ 2.15	$ 395	$ 1.91
Non-GAAP adjustments:						
Income from open positions relating to the operations of the exchange	(11)	(0.06)				
Merger and strategic initiatives	4	0.02	38	0.21	4	0.02
Restructuring charges	44	0.26				
Asset impairment charges	40	0.23	18	0.10		
Loss on divestiture of businesses	14	0.08			11	0.05
Special legal expenses	7	0.04				
Extinguishment of debt			31	0.17	40	0.20
Sublease reserves	3	0.02			5	0.03
Asset retirements					2	0.01
Workforce reductions					9	0.04
VAT refund	(7)	(0.04)				
Other	4	0.02	4	0.03	5	0.02
Adjustment to the income tax provision to reflect non-GAAP adjustments(1)	(32)	(0.19)	(28)	(0.16)	(28)	(0.14)
Significant tax adjustments, net	14	0.08	5	0.03	(32)	(0.15)
Total non-GAAP adjustments, net of tax	80	0.46	68	0.38	16	0.08

Non-GAAP net income attributable to NASDAQ OMX and diluted earnings per share	$	432	$	2.50	$	455	$	2.53	$	411	$	1.99
Weighted-average common shares outstanding for diluted earnings per share				172,587,870				180,011,247				206,514,655

(1) We determine the tax effect of each item based on the tax rules in the respective jurisdiction where the transaction occurred.

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Liquidity and Capital Resources

While global markets and economic conditions continue to improve from adverse levels experienced during the past several years, investors and lenders remain cautious about the pace of the global economic recovery. This lack of confidence in the prospects for growth could result in sporadic increases in market volatility and lackluster trading volumes, which could in turn affect our ability to obtain additional funding from lenders. Currently, our cost and availability of funding remain healthy.

Historically, we have funded our operating activities and met our commitments through cash generated by operations, augmented by the periodic issuance of our common stock in the capital markets and by issuing debt obligations. In addition to these cash sources, we have a $750 million revolving credit commitment (including a swingline facility and letter of credit facility) under our senior unsecured five-year credit facility. As of December 31, 2012, $624 million is available. See 2011 Credit Facility, of Note 9, Debt Obligations, to the consolidated financial statements for further discussion.

In the near term, we expect that our operations will provide sufficient cash to fund our operating expenses, capital expenditures, debt repayments, share repurchases, dividends, and severance and other costs related to restructuring actions. Working capital (calculated as current assets less current liabilities) was $565 million at December 31, 2012, compared with $543 million at December 31, 2011, an increase of $22 million.

In December 2012, we entered into an agreement with Thomson Reuters to acquire its Investor Relations, Public Relations and Multimedia Solutions businesses for $390 million. We plan to fund this transaction through cash on hand and capacity under our revolving credit commitment. Upon closing, these complementary businesses will be integrated into our Corporate Solutions business. The proposed transaction is subject to customary regulatory approvals and is expected to close in the first half of 2013. We also announced an agreement to acquire a 25% stake in TOM, a Dutch cash equities and equity derivatives trading venue. We plan to fund this transaction through cash on hand. 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 will be part of our European Transaction Services business. The acquisition is subject to regulatory approval.

Principal factors that could affect the availability of our internally-generated funds include:

- deterioration of our revenues in any of our business segments;
- changes in our working capital requirements; and
- an increase in our expenses arising, in part, from the proposed voluntary accommodation program and other expenses related to the systems issues experienced at the time of the Facebook IPO.

Principal factors that could affect our ability to obtain cash from external sources include:

- operating covenants contained in our credit facility that limit our total borrowing capacity;
- increases in interest rates applicable to our floating rate loans under our credit facility;
- credit rating downgrades, which could limit our access to additional debt;
- a decrease in the market price of our common stock; and

volatility in the public debt and equity markets.

The following sections discuss the effects of changes in our financial assets, debt obligations, clearing and broker-dealer net capital requirements, and cash flows on our liquidity and capital resources.

Financial Assets

The following table summarizes our financial assets:

	December 31, 2012	December 31, 2011
	(in millions)	
Cash and cash equivalents	$ 497	$ 506
Restricted cash	85	34
Non-current restricted cash	25	97
Financial investments, at fair value	223	279
Total financial assets	$ 830	$ 916

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Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash in banks and all non-restricted highly liquid investments with original maturities of three months or less at the time of purchase. The balance retained in cash and cash equivalents is a function of anticipated or possible short-term cash needs, prevailing interest rates, our investment policy, and alternative investment choices. As of December 31, 2012, our cash and cash equivalents of $497 million were primarily invested in money market funds. In the long-term, we may use both internally generated funds and external sources to satisfy our debt obligations and other long-term liabilities. Cash and cash equivalents as of December 31, 2012 decreased $9 million from December 31, 2011 primarily due to net cash used in investing and financing activities, partially offset by net cash provided by operating activities. See Cash Flow Analysis below for further discussion.

Current restricted cash, which was $85 million as of December 31, 2012 and $34 million as of December 31, 2011, is not available for general use by us due to regulatory and other requirements and is classified as restricted cash in the Consolidated Balance Sheets. As of December 31, 2012 and December 31, 2011, current restricted cash primarily includes cash held for regulatory purposes at NASDAQ OMX Stockholm and NOS Clearing. Non-current restricted cash was $25 million at December 31, 2012 compared with $97 million at December 31, 2011. The decline in non-current restricted cash is primarily due to the release of restricted cash due to the sale of IDCG in August 2012. Non-current restricted cash at December 31, 2012 is segregated for NOCC to improve its liquidity position, which is not available for general use.

Repatriation of Cash

Our cash and cash equivalents held outside of the U.S. in various foreign subsidiaries totaled $198 million as of December 31, 2012 and $158 million as of December 31, 2011. The remaining balance held in the U.S. totaled $299 million as of December 31, 2012 and $348 million as of December 31, 2011.

Unremitted earnings of subsidiaries outside of the U.S. are used to finance our international operations and are generally considered to be indefinitely reinvested. It is not our current intent to change this position. However, the majority of cash held outside the U.S. is available for repatriation, but under current law, could subject us to additional U.S. income taxes, less applicable foreign tax credits.

Share Repurchase Program

In the fourth quarter of 2011, our board of directors approved a share repurchase program authorizing NASDAQ OMX to repurchase in the aggregate up to $300 million of our outstanding common stock. In the third quarter of 2012, our board of directors authorized the repurchase of up to an additional $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.

During the fourth quarter of 2011, we repurchased 3,983,481 shares of our common stock at an average price of $25.10, for an aggregate purchase price of $100 million. During 2012, we repurchased 11,544,457 shares of our common stock at an average price of $23.82, for an aggregate purchase price of $275 million, completing the share repurchase program authorized in the fourth quarter of 2011. The shares repurchased under the share repurchase program are available for general corporate purposes. As of December 31, 2012, the remaining amount for share repurchases under the program authorized in the third quarter of 2012 was $225 million.

Cash Dividends on Common Stock

In June, September and December of 2012, we paid quarterly cash dividends of $0.13 per share on our outstanding common stock. See Cash Dividends on Common Stock, of Note 13, NASDAQ OMX Stockholders Equity, to the consolidated financial statements for further discussion of the dividends.

In January 2013, pursuant to delegated authority, the finance committee of 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 March 28, 2013 to shareholders of record at the close of business on March 14, 2013. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by the board of directors.

Financial Investments, at Fair Value

Our financial investments, at fair value totaled $223 million as of December 31, 2012 and $279 million as of December 31, 2011 and are primarily comprised of trading securities, mainly Swedish government debt securities. Of these securities, $134 million as of December 31, 2012 and $212 million as of December 31, 2011 are restricted assets 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 $22 million as of December 31, 2012 and $18 million as of December 31, 2011. See Note 6, Investments, to the consolidated financial statements for further discussion of our trading securities and available-for-sale investment security.

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Debt Obligations

The following table summarizes our debt obligations by contractual maturity:

	Maturity Date	December 31, 2012	December 31, 2011
		(in millions)	
3.75% convertible notes (net of discount)[1]	October 2012	$	$
2.50% convertible senior notes	August 2013	91	88
4.00% senior unsecured notes (net of discount)	January 2015	399	399
$1.2 billion senior unsecured five-year credit facility:			
$450 million senior unsecured term loan facility	September 2016	394	439
$750 million revolving credit commitment	September 2016	126	226
5.25% senior unsecured notes (net of discount)	January 2018	368	367
5.55% senior unsecured notes (net of discount)	January 2020	598	598
Total debt obligations		1,976	2,117
Less current portion		(45)	(45)
Total long-term debt obligations		$ 1,931	$ 2,072

(1) As of December 31, 2011, approximately $0.5 million aggregate principal amount of the 3.75% convertible notes remained outstanding. In June 2012, all of the remaining aggregate principal amount of the 3.75% convertible notes outstanding were converted into 34,482 shares of common stock in accordance with the terms of the notes.

In addition to the $750 million revolving credit commitment, we also have other credit facilities related to our clearinghouses in order to meet liquidity and regulatory requirements. At December 31, 2012, these credit facilities, which are available in multiple currencies, primarily Swedish Krona, totaled $310 million ($217 million in available liquidity and $93 million to satisfy regulatory requirements), none of which was utilized. At December 31, 2011, these credit facilities totaled $447 million ($206 million in available liquidity and $241 million to satisfy regulatory requirements), none of which was utilized.

At December 31, 2012, we were in compliance with the covenants of all of our debt obligations.

See Note 9, Debt Obligations, to the consolidated financial statements for further discussion of our debt obligations.

Clearing and Broker-Dealer Net Capital Requirements

Clearing Operations Regulatory Capital Requirements

We are required to maintain minimum levels of regulatory capital for our clearing operations for NASDAQ OMX Nordic Clearing and NOS Clearing. The level of regulatory capital required to be maintained is dependent upon many factors, including market conditions and creditworthiness of the counterparty. At December 31, 2012, our required regulatory capital consisted of $113 million of Swedish government debt securities, that are included in financial investments, at fair value in the Consolidated Balance Sheets and $45 million of cash that is included in restricted cash in the Consolidated Balance Sheets.

In addition, we have available credit facilities of $93 million which can be utilized to satisfy our regulatory capital requirements. See Debt Obligations above for further discussion.

Broker-Dealer Net Capital Requirements

Our broker-dealer subsidiaries, Nasdaq Execution Services and NASDAQ Options Services, are subject to regulatory requirements intended to ensure their general financial soundness and liquidity. These requirements obligate these subsidiaries to comply with minimum net capital requirements. At December 31, 2012, Nasdaq Execution Services was required to maintain minimum net capital of $0.3 million and had total net capital of approximately $10.9 million, or $10.6 million in excess of the minimum amount required. At December 31, 2012, NASDAQ Options Services also was required to maintain minimum net capital of $0.3 million and had total net capital of approximately $3.4 million, or $3.1 million in excess of the minimum amount required.

Other Capital Requirements

NASDAQ Options Services also is required to maintain a $2 million minimum level of net capital under our clearing arrangement with The Options Clearing Corporation, or OCC.

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Cash Flow Analysis

The following tables summarize the changes in cash flows:

	Year Ended December 31, 2012	2011	Percentage Change
	(in millions)		
Net cash provided by (used in):			
Operating activities	$ 594	$ 669	(11.2)%
Investing activities	(128)	(146)	(12.3)%
Financing activities	(485)	(325)	49.2%
Effect of exchange rate changes on cash and cash equivalents	10	(7)	#
Net increase (decrease) in cash and cash equivalents	(9)	191	#
Cash and cash equivalents at the beginning of period	506	315	60.6%
Cash and cash equivalents at the end of period	$ 497	$ 506	(1.8)%

\# Denotes a variance greater than 100.0%.

Net Cash Provided by Operating Activities

The following items impacted our net cash provided by operating activities for the year ended December 31, 2012:

Net income of $349 million, plus:

Non-cash items of $251 million comprised primarily of $104 million of depreciation and amortization expense, $46 million of share-based compensation expense, $40 million related to asset impairment charges, $16 million of restructuring charges, deferred income taxes of $16 million, and a loss on divestiture of business of $14 million.

Decrease in other assets of $71 million primarily due to the release of restricted cash resulting from the sale of IDCG.

Partially offset by a:

Increase in receivables, net of $30 million primarily due to an increase in receivables across multiple businesses relating to timing of collections and activity, partially offset by a decrease in income tax receivables.

Decrease in accrued personnel costs of $27 million primarily due to the payment of our 2011 incentive compensation in the first quarter of 2012, partially offset by the 2012 accrual.

Decrease in other liabilities of $17 million primarily reflecting the release of escrow amounts related to certain acquisitions and the utilization of sublease reserve balances.

- Decrease in Section 31 fees payable to the SEC of $9 million primarily due to lower dollar value traded on the NASDAQ and NASDAQ OMX BX trading systems, partially offset by higher Section 31 fee rates in 2012.

The following items impacted our net cash provided by operating activities for the year ended December 31, 2011:

- Net income of $383 million, plus:
  - Non-cash items of $206 million comprised primarily of $109 million of depreciation and amortization expense, $36 million of share-based compensation expense, $31 million for debt extinguishment and refinancing charges, $25 million related to loss on asset retirements and impairment charges, and $13 million related to accretion of debt discounts, partially offset by $10 million of excess tax benefits related to share-based compensation.
- Decrease in other assets of $69 million primarily due to a decrease in non-current deferred tax assets related to the utilization of a capital-loss carry-back.
- Increase in accounts payable and accrued expenses of $24 million primarily due to the timing of payments and an increase in accrued interest payable.
- Increase in Section 31 fees payable to SEC of $24 million primarily due to higher Section 31 fee rates in 2011.

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Partially offset by a:

Decrease in other liabilities of $22 million primarily reflecting the utilization of sublease reserves and decreased accrued taxes.

Decrease in deferred revenue of $14 million primarily due to the timing and delivery of Market Technology projects.

Net Cash Used in Investing Activities

Net cash used in investing activities for the years ended December 31, 2012 and 2011 primarily consisted of purchases of trading securities, cash used for acquisitions and purchases of property and equipment, partially offset by proceeds from sales and redemptions of trading securities.

Net Cash Used in Financing Activities

Net cash used in financing activities for the year ended December 31, 2012 primarily consisted of $275 million of cash used in connection with our share repurchase programs, repayment of debt obligations of $145 million consisting of an optional prepayment of $100 million on our revolving credit commitment and required quarterly principal payments totaling $45 million on our $450 million funded term loan, or 2016 Term Loan, and $65 million related to cash dividends paid on our common stock.

Net cash used in financing activities for the year ended December 31, 2011 primarily consisted of the repayment of debt obligations of $948 million consisting of the repayment of our term loans in place as of December 31, 2010 of $570 million, repayment of $335 million of the aggregate principal amount outstanding of the 2013 Convertible Notes for $343 million, a required quarterly principal payment of $11 million on our 2016 Term Loan, and an optional principal payment of $24 million on our revolving credit commitment. We also utilized $100 million of cash in connection with our share repurchase program. These decreases were partially offset by proceeds from debt obligations of $700 million consisting of $450 million in proceeds received from the issuance of the 2016 Term Loan and $250 million in proceeds received from borrowings under our revolving credit commitment. For further discussion of the 2016 Term Loan, as well as the repayment of our debt obligations, see Credit Facilities, of Note 9, Debt Obligations, to the consolidated financial statements.

For further discussion of our debt obligations, see Note 9, Debt Obligations, to the consolidated financial statements. For further discussion of our share repurchase programs, see Share Repurchase Programs and Share Repurchase from Borse Dubai, of Note 13, NASDAQ OMX Stockholders Equity, to the consolidated financial statements.

Contractual Obligations and Contingent Commitments

NASDAQ OMX has contractual obligations to make future payments under debt obligations by contract maturity, minimum rental commitments under non-cancelable operating leases, net and other obligations. The following table shows these contractual obligations as of December 31, 2012:

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(in millions)		
Debt obligations by contract maturity[1]	$ 2,407	$ 217	$ 633	$ 494	$ 1,063
Minimum rental commitments under non-cancelable operating leases, net[2]	449	71	128	118	132
Other obligations[3]	18	16	2		
Total	$ 2,874	$ 304	$ 763	$ 612	$ 1,195

(1) Our debt obligations include both principal and interest obligations. At December 31, 2012, an interest rate of 1.61% was used to compute the amount of the contractual obligations for interest on our 2016 Term Loan and an interest rate of 1.42% was used to compute the amount of the contractual obligations for interest on our revolving credit commitment. All other debt obligations were calculated on a 360-day basis at the contractual fixed rate multiplied by the aggregate principal amount at December 31, 2012. See Note 9, Debt Obligations, to the consolidated financial statements for further discussion.

(2) 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 leases contain renewal options and escalation clauses based on increases in property taxes and building operating costs.

(3) In connection with our acquisitions of FTEN, SMARTS, Glide Technologies and the index business of Mergent, Inc., including Indxis, we entered into escrow agreements to secure the payment of post-closing adjustments and to ensure other closing conditions. At December 31, 2012, these agreements provide for future payments of $18 million and are included in other current liabilities and other non-current liabilities in the Consolidated Balance Sheets.

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Off-Balance Sheet Arrangements

Default Fund Contributions and Margin Collateral Received for Clearing Operations

Default Fund Contributions

Clearing members eligible contributions may include cash and non-cash contributions. Cash contributions are invested by NASDAQ OMX Nordic Clearing in accordance with its investment policies and are included in default funds and margin deposits in the Consolidated Balance Sheets. However, non-cash contributions, which include highly rated government debt securities that must meet the investment policies of NASDAQ OMX Nordic Clearing and NOS Clearing, as well as pledged cash, are pledged assets that are not recorded in our Consolidated Balance Sheets as NASDAQ OMX Nordic Clearing and NOS Clearing do not take legal ownership of these assets and the risks and rewards remain with the clearing members. These pledged assets are held at a nominee account in NASDAQ OMX Nordic Clearing s name or NOS Clearing s name for the benefit of the clearing members and are immediately accessible by NASDAQ OMX Nordic Clearing or NOS Clearing in the event of default. The pledged asset 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. See Note 16, Clearing Operations, to the consolidated financial statements for further discussion of our clearing operations and default fund contributions.

Margin Collateral Received for Clearing Operations

Nordic Clearing and NOS Clearing

NASDAQ OMX Nordic Clearing and NOS Clearing each require all clearing members to provide collateral, which may consist of cash and eligible securities, in a pledged bank account and/or an on-demand guarantee, 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. All collateral is maintained at a third-party custodian bank or deposit bank account for the benefit of the clearing members and is immediately accessible by NASDAQ OMX Nordic Clearing or NOS Clearing in the event of default. The pledged margin collateral is not recorded in our Consolidated Balance Sheets as all risks and rewards of collateral ownership, including interest, belongs to the counterparty. Clearing member pledged margin collateral related to our clearing operations was $6.7 billion as of December 31, 2012 and $5.0 billion as of December 31, 2011.

NASDAQ OMX Nordic Clearing and NOS Clearing mark 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 which helps NASDAQ OMX Nordic Clearing and NOS Clearing manage the risk of a clearing member defaulting due to exceptionally large losses. In the event of a default, NASDAQ OMX Nordic Clearing or NOS Clearing can access these margin deposits to cover the defaulting member s losses.

In the first half of 2013, NASDAQ OMX Nordic Clearing will implement a new collateral process. NASDAQ OMX Nordic Clearing will maintain all cash deposits related to margin collateral and will include these cash deposits in default funds and margin deposits in the Consolidated Balance Sheets as both a current asset and a current liability, as NASDAQ OMX Nordic Clearing will assume the risks and rewards of collateral ownership. In addition to cash, clearing members may also contribute eligible pledged assets consisting of highly rated government debt securities that must meet the specific criteria approved by NASDAQ OMX Nordic Clearing and/or an on-demand guarantee. These pledged assets will not be recorded in our Consolidated Balance Sheets as NASDAQ OMX Nordic Clearing will not take legal ownership of these assets as the risks and rewards will remain with the clearing members. Assets pledged will be held at a nominee account in NASDAQ OMX Nordic Clearing s name for the benefit of the clearing members and will be immediately accessible by NASDAQ OMX Nordic Clearing in the event of default.

U.S. Clearing

NOCC is the beneficiary of letters of credit from banks meeting certain rating standards, which are posted on behalf of market participants in lieu of posting cash collateral. The aggregate amount of letters of credit of which NOCC is the beneficiary was $101 million at December 31, 2012 and $81 million at December 31, 2011.

Guarantees Issued and Credit Facilities Available

In addition to the collateral pledged by clearing members discussed above, we have obtained financial guarantees and credit facilities which are guaranteed by us through counter indemnities, to provide further liquidity and default protection. Financial guarantees issued to us totaled $7 million at December 31, 2012 and $4 million at December 31, 2011. At December 31, 2012, credit facilities, which are available in multiple currencies, primarily Swedish Krona, totaled $310 million ($217 million in available liquidity and $93 million to satisfy regulatory requirements), none of which was utilized. At December 31, 2011, these facilities totaled $447 million ($206 million in available liquidity and $241 million to satisfy regulatory requirements), none of which was utilized.

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 Consolidated Balance Sheets for these arrangements.

Leases

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 $18 million as of December 31, 2012 and $17 million as of December 31, 2011. These guarantees primarily related to obligations for our rental and leasing contracts. In addition, for certain Market Technology contracts, we have provided performance guarantees of $5 million as of December 31, 2012 and $6 million as of December 31, 2011 related to the delivery of software technology and support services. We have received financial guarantees from various financial institutions to support these guarantees.

We also have provided a $25 million guarantee to NOCC to cover potential losses in the event of customer defaults, net of any collateral posted against such losses.

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 Consolidated Balance Sheets for the above guarantees.

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 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 Consolidated Balance Sheets for these arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the potential for losses that may result from changes in the market value of a financial instrument due to changes in market conditions. As a result of our operating, investing and financing activities, we are exposed to market risks such as interest rate risk and foreign currency exchange rate risk. We are also exposed to credit risk as a result of our normal business activities.

We have implemented policies and procedures to measure, manage, monitor and report risk exposures, which are reviewed regularly by management and the board of directors. We identify risk exposures and monitor and manage such risks on a daily basis.

We perform sensitivity analyses to determine the effects of market risk exposures. We may use derivative instruments solely to hedge financial risks related to our financial positions or risks that are incurred during the normal course of business. We do not use derivative instruments for speculative purposes.

Interest Rate Risk

The following table summarizes our financial assets and liabilities that are subject to interest rate risk as of December 31, 2012:

	Financial Assets	Financial Liabilities(1)	Negative impact of a 100 bp adverse shift in interest rate(2)

		(in millions)	
Floating rate positions[3]	$ 902	$ 729	$ 2
Fixed rate positions[4]	115	1,463	1

(1) Represents total contractual debt obligations and amounts related to default fund contributions and margin deposits.

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(2) Annualized impact of a 100 basis point parallel adverse shift in the yield curve.
(3) Includes floating rate and fixed interest rates with a maturity or reset date due within 12 months.
(4) Financial assets primarily consist of Swedish government debt securities, which are classified as trading investment securities, with an average duration of 1.5 years.

We are exposed to cash flow risk on floating rate financial assets of $902 million and financial liabilities of $729 million at December 31, 2012. When interest rates on financial assets of floating rate positions decrease, net interest income decreases. When interest rates on financial liabilities of floating rate positions increase, net interest expense increases. Based on December 31, 2012 positions, each 1.0% adverse change in interest rate would impact annual pre-tax income by $2 million related to our floating rate positions.

We are exposed to price risk on our fixed rate financial assets, which totaled $115 million at December 31, 2012 and have an average duration of 1.5 years. The net effect of a parallel shift on 1.0% of the interest rate curve, taking into account the change in fair value and increased interest income, would impact annual pre-tax income by $1 million.

Foreign Currency Exchange Rate Risk

As a leading global exchange group, we are subject to foreign currency translation risk. For the year ended December 31, 2012, approximately 34.8% of our revenues less transaction rebates, brokerage, clearance and exchange fees and 26.5% of our operating income were derived in currencies other than the U.S. dollar, primarily the Swedish Krona, Euro, Norwegian Krone and Danish Krone. For the year ended December 31, 2011, approximately 35.6% of our revenues less transaction rebates, brokerage, clearance and exchange fees and 31.4% of our operating income were derived in currencies other than the U.S. dollar, primarily the Swedish Krona, Euro, Norwegian Krone and Danish Krone.

Our primary exposure to foreign currency denominated revenues less transaction rebates, brokerage, clearance and exchange fees and operating income for the year ended December 31, 2012 is presented in the following table:

	Swedish Krona	Euro	Norwegian Krone	Danish Krone	Other Foreign Currencies
		(in millions, except currency rate)			
Average foreign currency rate to the U.S. dollar in 2012	0.1478	1.2864	0.1720	0.1728	#
Percentage of revenues less transaction rebates, brokerage, clearance and exchange fees	21.8%	4.0%	2.8%	2.5%	3.7%
Percentage of operating income	20.2%	4.2%	3.3%	3.6%	(4.8)%
Impact of a 10% adverse currency fluctuation on revenues less transaction rebates, brokerage, clearance and exchange fees	$ (36)	$ (7)	$ (5)	$ (4)	$ (6)
Impact of a 10% adverse currency fluctuation on operating income	$ (14)	$ (3)	$ (2)	$ (8)	$ (9)

\# Represents multiple foreign currency rates.

Our primary exposure to foreign currency denominated revenues less transaction rebates, brokerage, clearance and exchange fees and operating income for the year ended December 31, 2011 is presented in the following table:

	Swedish Krona	Euro	Norwegian Krone	Danish Krone	Other Foreign Currencies
		(in millions, except currency rate)			
Average foreign currency rate to the U.S. dollar in 2011	0.1542	1.3922	0.1785	0.1868	#
Percentage of revenues less transaction rebates, brokerage, clearance and exchange fees	23.3%	3.6%	2.8%	2.8%	3.1%
Percentage of operating income	22.0%	5.9%	2.8%	3.9%	(3.2)%
Impact of a 10% adverse currency fluctuation on revenues less transaction rebates, brokerage, clearance and exchange fees	$ (39)	$ (6)	$ (5)	$ (5)	$ (5)

Impact of a 10% adverse currency fluctuation on operating income	$	(15)	$	(4)	$	(2)	$	(5)	$

Represents multiple foreign currency rates.

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Our investments in foreign subsidiaries are exposed to volatility in currency exchange rates through translation of the foreign subsidiaries net assets or equity to U.S. dollars. Substantially all of our foreign subsidiaries operate in functional currencies other than the U.S. dollar. Fluctuations in currency exchange rates may create volatility in our results of operations as we are required to translate the balance sheets and operational results of these foreign currency denominated subsidiaries into U.S. dollars for consolidated reporting. The translation of foreign subsidiaries non-U.S. dollar balance sheets into U.S. dollars for consolidated reporting results in a cumulative translation adjustment which is recorded in accumulated other comprehensive loss within stockholders equity in the Consolidated Balance Sheets.

Our primary exposure to net assets in foreign currencies as of December 31, 2012 is presented in the following table:

	Net Assets	Impact of a 10% Adverse Currency Fluctuation
	(millions of dollars)	
Swedish Krona[1]	$ 4,262	$ (426)
Norwegian Krone	326	(33)
Euro	144	(14)
Australian Dollar	95	(10)

(1) Includes goodwill of $3,359 million and intangible assets, net of $1,041 million.

Credit Risk

Credit risk is the potential loss due to the default or deterioration in credit quality of customers or counterparties. We are exposed to credit risk from third parties, including customers, counterparties and clearing agents. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. We limit our exposure to credit risk by rigorously evaluating the counterparties with which we make investments and execute agreements. The financial investment portfolio objective is to invest in securities to preserve principal while maximizing yields, without significantly increasing risk. Credit risk associated with investments is minimized substantially by ensuring that these financial assets are placed with governments which have investment grade ratings, well-capitalized financial institutions and other creditworthy counterparties.

Our subsidiaries Nasdaq Execution Services and NASDAQ Options Services may be exposed to credit risk, due to the default of trading counterparties, in connection with the routing services they provide for our trading customers. System trades in cash equities routed to other market centers for members of The NASDAQ Stock Market are routed by Nasdaq Execution Services for clearing to NSCC. In this function, Nasdaq Execution Services is to be neutral by the end of the trading day, but may be exposed to intraday risk if a trade extends beyond the trading day and into the next day, thereby leaving Nasdaq Execution Services susceptible to counterparty risk in the period between accepting the trade and routing it to the clearinghouse. In this interim period, Nasdaq Execution Services is not novating like a clearing broker but instead is subject to the short-term risk of counterparty failure before the clearinghouse enters the transaction. Once the clearinghouse officially accepts the trade for novation, Nasdaq Execution Services is legally removed from risk. System trades in derivative contracts for the opening and closing cross and trades routed to other market centers are cleared by NASDAQ Options Services, as a member of the OCC. For these trades, novation is done at the end of the trading day, and settlement is complete by 10:00 am on the following day.

Pursuant to the rules of the NSCC and Nasdaq Execution Services clearing agreement, Nasdaq Execution Services is liable for any losses incurred due to a counterparty or a clearing agent s failure to satisfy its contractual obligations, either by making payment or delivering securities. Pursuant to the rules of the OCC and NASDAQ Options Services clearing agreement, NASDAQ Options Services is liable for any losses incurred due to a counterparty or a clearing agent s failure to satisfy its contractual obligations, either by making payment or delivering securities. Adverse movements in the prices of securities and derivative contracts that are subject to these transactions can increase our credit risk. However, we believe that the risk of material loss is limited, as Nasdaq Execution Services and NASDAQ Options Services customers are not permitted to trade on margin and NSCC and OCC rules limit counterparty risk on self-cleared transactions by establishing credit limits and capital deposit requirements for all brokers that clear with NSCC and OCC. Historically, neither Nasdaq Execution Services nor NASDAQ Options Services has incurred a liability due to a customer s failure to satisfy its contractual obligations as counterparty to a system trade. Credit difficulties or insolvency, or the perceived possibility of credit difficulties or insolvency, of one or more larger or visible market participants could also result in market-wide credit difficulties or other market disruptions.

We are exposed to credit risk through our clearing operations with NASDAQ OMX Nordic Clearing, NOS Clearing, and riskless principal trading and clearing at NOCC. NOCC is the legal counterparty for each of their customer s positions traded or cleared and thereby guarantee the fulfillment of each of their customer s contracts. See Default Fund Contributions and Margin Collateral Received for Clearing Operations, of Off-Balance Sheet Arrangements, above, as well as Note 16, Clearing Operations for further discussion.

We also have credit risk related to transaction revenues that are billed to customers on a monthly basis, in arrears. Our potential exposure to credit losses on these transactions is represented by the receivable balances in our Consolidated Balance Sheets. Most of our customers are financial institutions whose ability to satisfy their contractual obligations may be impacted by volatile securities markets.

On an ongoing basis, we review and evaluate changes in the status of our counterparties creditworthiness. Credit losses such as those described above could adversely affect our consolidated financial position and results of operations.

Critical Accounting Policies and Estimates

The preparation of Consolidated Financial Statements in conformity with U.S. GAAP requires management to use judgment in making estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. The following critical accounting policies are based on, among other things, judgments and assumptions made by management that include inherent risk and uncertainties. Management s estimates are based on the relevant information available at the end of each period. For a summary of our significant accounting policies, including the accounting policies discussed below, see Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements for further discussion.

Revenue Recognition

Issuer Services Revenues

Global Listing Services

Listing Services revenues in the U.S. include annual renewal fees, listing of additional shares fees and initial listing fees. Annual renewal fees do not require any judgments or assumptions by management as these amounts are recognized ratably over the following 12-month period. However, listing of additional shares fees and initial listing fees are recognized on a straight-line basis over estimated service periods, which are four and six years, respectively, based on our historical listing experience and projected future listing duration. Unamortized balances are recorded as deferred revenue in the Consolidated Balance Sheets.

Market Technology Revenues

Revenues are primarily derived from license, support and facility management revenues, delivery project revenues, as well as change request, advisory and broker surveillance revenues.

We enter into multiple-element sales arrangements to provide technology solutions and services to our customers. In order to recognize revenues associated with each individual element of a multiple-element sales arrangement separately, we are required to establish the existence of VSOE of fair value for each element. When VSOE for individual elements of an arrangement cannot be established, revenue is generally deferred and recognized over either the final element of the arrangement or the entire term of the arrangement for which the services will be delivered.

License and support revenues are derived from the system solutions developed and sold by NASDAQ OMX that are generally entered into in multiple-element sales arrangements. After we have developed and sold a system solution, the customer licenses the right to use the software and may require post contract support and other services. Facility management revenues are also generally entered into in multiple-element sales arrangements and are derived when NASDAQ OMX assumes responsibility for the continuous operation of a system platform for a customer and receives facility management revenues which can be both fixed and volume-based. Revenues for license, support and facility management services are generally deferred and recognized over either the final element of the arrangement or the entire term of the arrangement for which the services will be delivered. We record the deferral of revenue associated with multiple-element sales arrangements in deferred revenue and non-current deferred revenue and the deferral of costs in other current assets and other non-current assets in the Consolidated Balance Sheets.

Delivery project revenues are derived from the installation phase of the system solutions developed and sold by NASDAQ OMX. The majority of our delivery projects involve individual adaptations to the specific requirements of the customer, such as those relating to functionality and capacity. We may customize our software technology and make significant modifications to the software to meet the needs of our customers, and as such, we account for these arrangements under contract accounting. Under contract accounting, when VSOE for valuing certain elements of an arrangement cannot be established, total revenues, as well as costs incurred, are deferred until the customization and significant modifications are complete and are then recognized over the post contract support period. We record the deferral of this revenue in deferred revenue and non-current deferred revenue and the deferral of costs in other current assets and other non-current assets in the Consolidated Balance Sheets.

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Change request, advisory and broker surveillance revenues do not require any judgments or assumptions by management as these amounts are recognized in revenue when earned.

Goodwill and Related Impairment

Goodwill represents the excess of 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 test goodwill for impairment at the reporting unit level annually, or in interim periods if certain events occur indicating that the carrying amount may be impaired, such as changes in the business climate, poor indicators of operating performance or the sale or disposition of a significant portion of a reporting unit. We test for impairment during the fourth quarter of our fiscal year using carrying amounts as of October 1. In conducting the 2012 annual impairment test for goodwill, we first performed a qualitative assessment to determine whether it was more likely than not that the fair value of a reporting unit was less than the carrying amount as a basis for determining whether it was necessary to perform the two-step quantitative goodwill impairment test described in Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 350, Intangibles Goodwill and Other, or ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the two-step quantitative test for goodwill impairment is performed for the appropriate reporting units. Otherwise, we conclude that no impairment is indicated and the two-step quantitative test for goodwill impairment is not performed.

In conducting the initial qualitative assessment, we analyzed actual and projected growth trends for each reporting unit, as well as historical performance versus plan and the results of prior quantitative tests performed. Additionally, each reporting unit assesses critical areas that may impact their business, including macroeconomic conditions and the related impact, market related exposures, competitive changes, new or discontinued products, changes in key personnel, or any other potential risks to their projected financial results.

If required, the quantitative goodwill impairment test is a two-step process performed at the reporting unit level. First, the fair value of each reporting unit is compared to its corresponding carrying amount, including goodwill. The fair value of each reporting unit is estimated using a combination of discounted cash flow valuation, which incorporates assumptions regarding future growth rates, terminal values, and discount rates, as well as guideline public company valuations, incorporating relevant trading multiples of comparable companies and other factors. The estimates and assumptions used consider historical performance and are consistent with the assumptions used in determining future profit plans for each reporting unit, which are approved by our board of directors. If the first step results in the carrying amount exceeding the fair value of the reporting unit, then a second step must be completed in order to determine the amount of goodwill impairment that should be recorded, if any. In the second step, the implied fair value of the reporting unit s goodwill is determined by allocating the reporting unit s fair value to all of its assets and liabilities other than goodwill in a manner similar to a purchase price allocation. The implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge is recorded for any difference.

For our annual test of goodwill impairment in 2012, we considered the results of our 2011 and 2010 quantitative impairment tests, which indicated that the fair value of each reporting unit was in excess of its carrying amount. We also considered future financial projections, current market conditions, and any changes in the carrying amount of the reporting units.

At the time of our 2012 annual impairment test, our goodwill balance was $5.3 billion, of which $4.7 billion was attributable to our Market Services segment, $0.4 billion was attributable to our Issuer Services segment and $0.2 billion was attributable to our Market Technology segment.

We utilized the qualitative screen for Issuer Services and Market Technology, as the excesses of their fair values over their respective carrying amounts were significant. In conducting the qualitative assessment for these two reporting units, we evaluated future financial projections by management to determine if there were any changes in the key inputs used to determine the fair values of each reporting unit. We also considered the qualitative factors in ASC Topic 350, as well as other relevant events and circumstances. Based on the results of the qualitative assessment for each reporting unit, we concluded based on a preponderance of positive indicators and the weight of such indicators that the fair values of our Issuer Services and Market Technology reporting units are more likely than not greater than their respective carrying amounts and as a result, quantitative analyses were not needed. Therefore, no further testing of goodwill for impairment was performed for these reporting units for the year ended December 31, 2012.

Based on unfavorable domestic and international economic trends, particularly declining cash equity and derivative trading volumes, we bypassed the qualitative assessment for the Market Services reporting unit. We performed step one of the quantitative goodwill impairment test and determined that the fair value of our Market Services reporting unit exceeded its carrying amount. As a result, no goodwill impairment was recorded. The fair value of our Market Services reporting unit was determined using a combination of two equally weighted valuation methods, a market approach and an income approach. The market approach estimates

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fair value by applying revenues, earnings and cash flow multiples to the Market Services reporting segment s operating performance. The multiples are derived from comparable publicly-traded companies with similar operating and investment characteristics to our Market Services reporting unit. The market approach requires management s judgment to determine several valuation inputs, including the selection of comparable companies and control premium. The control premium is based on recent transactions in the marketplace. Under the income approach, we estimated future cash flows of our Market Services reporting unit based on internally generated forecasts of future financial performance. We determined a long-term growth rate for the terminal year period based on historical and expected inflation rates as well as management s estimate of the long-term growth of the business. We then discounted the projected cash flows using a weighted average cost of capital of 11.2%. The fair value of our Market Services reporting unit exceeded its carrying amount by less than 10%. Holding all other assumptions constant at the testing date, a 5% decrease in the estimated free cash flows of this reporting unit would not reduce the estimated fair value below the carrying amount. However, holding all other assumptions constant, a 50 basis point increase in the discount rate used in the testing of this reporting unit would reduce the estimated fair value below its carrying amount by 1%, indicating a possible impairment. Because step two of the impairment was not required for this reporting unit, it is not possible at this time to determine if a decrease in our valuation inputs would result in an impairment charge, or if such a charge would be material.

Although we believe our estimates of fair value are reasonable, the determination of certain valuation inputs is subject to management s judgment. Changes in these inputs could materially affect the results of our impairment review. If our forecast of cash flows generated by our Market Services reporting unit or other key inputs are negatively revised in the future, the estimated fair value of the Market Services reporting unit would be adversely impacted, potentially leading to an impairment in the future that could materially affect our operating results.

Subsequent to our annual impairment test, no indications of an impairment were identified.

Indefinite-Lived Intangible Assets and Related Impairment

Intangible assets deemed to have indefinite useful lives are not amortized but instead are tested for impairment at least annually and more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than its carrying amount. The fair value of indefinite-lived intangible assets is primarily determined on the basis of estimated discounted value, using the relief from royalty approach for trade names and the Greenfield Approach for exchange and clearing registrations and licenses, both of which incorporate assumptions regarding future revenue projections and discount rates. Similar to goodwill impairment testing, we test for impairment of indefinite-lived intangible assets during the fourth quarter of our fiscal year using carrying amounts as of October 1. In conducting the 2012 annual impairment test for indefinite-lived intangible assets, we first performed a qualitative assessment to determine whether it was more likely than not that the fair value of an indefinite-lived intangible asset was less than the carrying amount as a basis for determining whether it was necessary to perform the quantitative impairment test described in ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, we determine that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, then the quantitative test for indefinite-lived intangible assets impairment is performed for the appropriate intangible assets. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment charge is recorded for the difference.

Other Long-Lived Assets and Related Impairment

We also assess potential impairments to our other long-lived assets, including finite-lived intangible assets, equity method investments, property and equipment and other assets, when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset exceeds its fair value and is not recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. We evaluate our equity method investments for other-than-temporary declines in value by considering a variety of factors such as the earnings capacity of the investment and the fair value of the investment compared to its carrying amount. In addition, for investments where the market value is readily determinable, we consider the underlying stock price as an additional factor. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying amount of the related asset and a charge to operating results.

Amortization Periods of Intangible Assets with Finite-Lives

Intangible assets, net, primarily include exchange and clearing registrations, customer relationships, trade names, licenses and technology. Intangible assets with finite-lives are amortized on a straight-line basis over their average estimated useful lives as follows:

Technology: 3 5 years

Customer relationships: 10 30 years

Other: 2 10 years

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The estimated useful life of developed and new technology is based on the likely duration of benefits to be derived from the technology. We consider such factors as the migration cycle for re-platforming existing technologies and the development of future generations of technology. We also give consideration to the pace of the technological changes in the industries in which we sell our products.

The estimated useful life of customer relationships is determined based on an analysis of the historical attrition rates of customers and an analysis of the legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of customer relationships.

See Note 4, Acquisitions and Divestitures, and Note 5, Goodwill and Purchased Intangible Assets, to the consolidated financial statements for further discussion of intangible assets.

Income Taxes

Estimates and judgments are required in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from net operating loss carryforwards, tax credit carryforwards and temporary differences between the tax and financial statement recognition of revenue and expense. Our deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Management is required to determine 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 consolidated financial statements. Interest and/or penalties related to income tax matters are recognized in income tax expense.

In assessing the need for a valuation allowance, we consider all available evidence including past operating results, the existence of cumulative losses in the most recent fiscal years, estimates of future taxable income and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

In addition, the calculation of our tax liabilities involves uncertainties in the application of tax regulations in the U.S. and other tax jurisdictions. We recognize potential liabilities for anticipated tax audit issues in such jurisdictions based on our estimate of whether, and the extent to which, additional taxes and interest may be due. While we believe that our tax liabilities reflect the probable outcome of identified tax uncertainties, it is reasonably possible that the ultimate resolution of any tax matter may be greater or less than the amount accrued. If events occur and the payment of these amounts ultimately proves unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If our estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Pension and Post-Retirement Benefits

Pension and other post-retirement benefit plan information for financial reporting purposes is developed using actuarial valuations. We assess our pension and other post-retirement benefit plan assumptions on a regular basis. In evaluating these assumptions, we consider many factors, including evaluation of the discount rate, expected rate of return on plan assets, healthcare cost trend rate, retirement age assumption, our historical assumptions compared with actual results and analysis of current market conditions and asset allocations. See Note 11, Employee Benefits, to the consolidated financial statements for further discussion.

Discount rates used for pension and other post-retirement benefit plan calculations are evaluated annually and modified to reflect the prevailing market rates at the measurement date of a high-quality fixed-income debt instrument portfolio that would provide the future cash flows needed to pay the benefits included in the benefit obligations as they come due. Actuarial assumptions are based upon management s best estimates and judgment.

The expected rate of return on plan assets for our U.S. pension plans represents our long-term assessment of return expectations which may change based on significant shifts in economic and financial market conditions. The long-term rate of return on plan assets is derived from return assumptions based on targeted allocations for various asset classes. While we consider the pension plans recent performance and other economic growth and inflation factors, which are supported by long-term historical data, the return expectations for the targeted asset categories represents a long-term prospective return.

Share-Based Compensation

The accounting for share-based compensation requires the measurement and recognition of compensation expense for all share-based awards made to employees based on estimated fair values. Share-based awards, or equity awards, include employee stock options, restricted stock and performance share units, or PSUs. Restricted stock awards generally refer to restricted stock units.

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We estimate the fair value of employee stock options using the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model include the expected life of the award, the weighted-average risk-free rate, the expected volatility, and the dividend yield. Our computation of expected life is based on historical exercise patterns. The risk-free interest rate for periods within the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. Our computation of expected volatility is based on a market-based implied volatility.

See Note 12, Share-Based Compensation, to the consolidated financial statements for further discussion.

Software Costs

We capitalize and amortize significant purchased application software and operational software that are an integral part of computer hardware on the straight-line method over their estimated useful lives, generally two to five years. We expense other purchased software as incurred.

Certain costs incurred in connection with developing or obtaining internal use software are capitalized. We capitalize internal and third party costs incurred in connection with the development of internal use software.

Under our Market Technology segment, costs of computer software to be sold, leased, or otherwise marketed as a separate product or as part of a product or process are capitalized after the product has reached technological feasibility. Technological feasibility is established upon completion of a detail program design or, in its absence, completion. Thereafter, all software production costs shall be capitalized. Prior to reaching technological feasibility, all costs are charged to expense. Capitalized costs are amortized on a straight-line basis over the remaining estimated economic life of the product and are included in depreciation and amortization expense in the Consolidated Statements of Income.

Foreign Currency Translation

Foreign denominated assets and liabilities are remeasured into the functional currency at exchange rates in effect at the balance sheet date through the income statement. Gains or losses resulting from foreign currency transactions are remeasured using the rates on the dates on which those elements are recognized during the period, and are included in general, administrative and other expense in the Consolidated Statements of Income.

Translation gains or losses resulting from translating our subsidiaries financial statements from the local functional currency to the reporting currency, net of tax, are included in accumulated other comprehensive loss within stockholders equity in the Consolidated Balance Sheets. Assets and liabilities are translated at the balance sheet date while revenues and expenses are recorded at the date the transaction occurs or at an applicable average rate.

Deferred taxes are not provided on cumulative translation adjustments where we expect earnings of a foreign subsidiary to be indefinitely reinvested. The income tax effect of currency translation adjustments related to foreign subsidiaries that are not considered indefinitely reinvested is recorded as a component of deferred taxes with an offset to accumulated other comprehensive loss within stockholders equity in the Consolidated Balance Sheets.

Recently Adopted Accounting Pronouncements

ASC Topic 820 In May 2011, the FASB issued amended guidance relating to ASC Topic 820 which requires the categorization by level of the fair value hierarchy for items not measured at fair value on our Consolidated Balance Sheets, but for which the fair value is disclosed. This accounting guidance was effective for us on January 1, 2012. Since this guidance only required additional disclosure, it did not affect our financial position or results of operations.

ASC Topic 220 In June 2011, the FASB issued amended guidance relating to ASC Topic 220, Comprehensive Income, or ASC Topic 220, which eliminates the option to present the components of other comprehensive income as part of the statement of equity. Instead, the amended guidance requires entities to report components of comprehensive income in either a single continuous statement of comprehensive income containing two sections, net income and other comprehensive income, or in two separate but consecutive statements. This accounting guidance was effective for us on January 1, 2012 with early adoption permitted. We adopted this guidance as of June 30, 2011 and present two separate but consecutive statements presenting the components of comprehensive income. Since this guidance only required a change in the format of the presentation of comprehensive income, it did not affect our financial position or results of operations.

ASC Topic 350 In September 2011, the FASB issued amended guidance relating to ASC Topic 350, which affects all entities that have goodwill reported in the financial statements. The amended guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or

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circumstances, an entity determines that it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, then performing the two-step impairment test is unnecessary. This accounting guidance was effective for us on January 1, 2012 with early adoption permitted. We adopted this guidance as of September 30, 2011 and used the qualitative assessment option for our annual goodwill impairment test performed for fiscal 2011. For testing procedures and results, see Goodwill, of Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements. Since this guidance only changed the manner in which we assess goodwill for impairment, it did not affect our financial position or results of operations.

In July 2012, the FASB issued amended guidance relating to ASC Topic 350, which permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then no further action is required. This accounting guidance is effective for us on January 1, 2013 with early adoption permitted. We adopted this guidance as of September 30, 2012 and used the qualitative assessment options for our annual indefinite-lived intangible asset impairment test performed for fiscal 2012. For testing procedures and results, see Intangible Assets, net, of Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements. Since this guidance only changes the manner in which we assess indefinite-lived intangible assets for impairment, it did not affect our financial position or results of operations.

Summarized Quarterly Financial Data (Unaudited)

	1st Qtr 2012	2nd Qtr 2012	3rd Qtr 2012	4th Qtr 2012
	(in millions, except per share amounts)			
Total revenues	$ 801	$ 823	$ 743	$ 752
Cost of revenues	(390)	(399)	(334)	(333)
Revenues less transaction rebates, brokerage, clearance and exchange fees	411	424	409	419
Total operating expenses	240	249	239	244
Operating income	171	175	170	175
Net income attributable to NASDAQ OMX	$ 85	$ 93	$ 89	$ 85
Basic earnings per share	$ 0.49	$ 0.55	$ 0.53	$ 0.52
Diluted earnings per share	$ 0.48	$ 0.53	$ 0.52	$ 0.50
Cash dividends declared per common share	$	$ 0.13	$ 0.13	$ 0.13

	1st Qtr 2011	2nd Qtr 2011	3rd Qtr 2011	4th Qtr 2011
	(in millions, except per share amounts)			
Total revenues	$ 815	$ 837	$ 944	$ 837
Cost of revenues	(402)	(422)	(508)	(417)
Revenues less transaction rebates, brokerage, clearance and exchange fees	413	415	436	420
Total operating expenses	230	257	241	259
Operating income	183	158	195	161
Net income attributable to NASDAQ OMX	$ 104	$ 92	$ 110	$ 82
Basic earnings per share	$ 0.59	$ 0.52	$ 0.62	$ 0.46

Diluted earnings per share	$ 0.57	$ 0.51	$ 0.61	$ 0.45

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information about quantitative and qualitative disclosures about market risk is incorporated herein by reference from Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk.

Item 8. Financial Statements and Supplementary Data.

NASDAQ OMX s consolidated financial statements, including Consolidated Balance Sheets as of December 31, 2012 and 2011, Consolidated Statements of Income for the years ended December 31, 2012, 2011 and 2010, Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010, Consolidated Statements of Changes in Equity for the years ended December 31, 2012, 2011 and 2010, Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010 and notes to our consolidated financial statements, together with a report thereon of Ernst & Young LLP, dated February 21, 2013, are attached hereto as pages F-1 through F-59 and incorporated by reference herein.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a). ***Disclosure controls and procedures.*** NASDAQ OMX s management, with the participation of NASDAQ OMX s Chief Executive Officer, and Chief Financial Officer and Executive Vice President, Corporate Strategy, has evaluated the effectiveness of NASDAQ OMX s disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, NASDAQ OMX s Chief Executive Officer, and Chief Financial Officer and Executive Vice President, Corporate Strategy have concluded that, as of the end of such period, NASDAQ OMX s disclosure controls and procedures are effective.

(b). ***Internal controls over financial reporting***. There have been no changes in NASDAQ OMX s internal controls over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, NASDAQ OMX s internal controls over financial reporting.

Management s Report on Internal Control Over Financial Reporting

Management is responsible for the preparation and integrity of the consolidated financial statements appearing in the reports that we file with the SEC. The consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles and include amounts based on management s estimates and judgments.

Management is also responsible for establishing and maintaining adequate internal control over NASDAQ OMX s financial reporting. Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, we maintain a system of internal control that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on its assessment, our management believes that, as of December 31, 2012, our internal control over financial reporting is effective.

Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on NASDAQ OMX s internal control over financial reporting, which is included herein.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of The NASDAQ OMX Group, Inc.

We have audited The NASDAQ OMX Group, Inc. s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The NASDAQ OMX Group, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The NASDAQ OMX Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standard of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The NASDAQ OMX Group, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2012 of The NASDAQ OMX Group, Inc. and our report dated February 21, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York

February 21, 2013

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Item 9B. Other Information.

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

Information about NASDAQ OMX s directors, as required by Item 401 of Regulation S-K, is incorporated by reference from the discussion under the caption Proposal I: Election of Directors in NASDAQ OMX s proxy statement for the 2013 Annual Meeting of Stockholders, or the Proxy. Information about NASDAQ OMX s executive officers, as required by Item 401 of Regulation S-K, is incorporated by reference from the discussion under the caption Executive Officers of NASDAQ OMX in the Proxy. Information about Section 16 reports, as required by Item 405 of Regulation S-K, is incorporated by reference from the discussion under the caption Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy. Information about NASDAQ OMX s code of ethics, as required by Item 406 of Regulation S-K, is incorporated by reference from the discussion under the caption NASDAQ OMX Corporate Governance Guidelines and Code of Ethics in the Proxy. Information about NASDAQ OMX s nomination procedures, audit committee and audit committee financial experts, as required by Items 407(c)(3), 407(d)(4) and 407(d)(5) of Regulation S-K, is incorporated by reference from the discussion under the caption Proposal I: Election of Directors in the Proxy.

Item 11. Executive Compensation.

Information about NASDAQ OMX s director and executive compensation, as required by Items 402, 407(e)(4) and 407(e)(5) of Regulation S-K, is incorporated by reference from the discussion under the captions Director Compensation, Compensation Discussion and Analysis and Executive Compensation in the Proxy.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information about security ownership of certain beneficial owners and management, as required by Item 403 of Regulation S-K, is incorporated by reference from the discussion under the caption Security Ownership of Certain Beneficial Owners and Management in the Proxy.

Equity Compensation Plan Information

NASDAQ OMX s Equity Plan provides for the issuance of our equity securities to our officers and other employees, directors and consultants. In addition, most employees of NASDAQ OMX and its subsidiaries are eligible to participate in the NASDAQ OMX Employee Stock Purchase Plan, or ESPP, at 85.0% of the fair market value of our common stock on the price calculation date. The Equity Plan and the ESPP have been approved previously by our stockholders. The following table sets forth information regarding outstanding options and shares reserved for future issuance under all of NASDAQ OMX s compensation plans as of December 31, 2012.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights(a)[1]	Weighted-average exercise price of outstanding options, warrants and rights(b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column(a)(c)
Equity compensation plans approved by stockholders	7,545,777	$ 21.10	7,406,552[2]
Equity compensation plans not approved by stockholders		$	
Total	7,545,777	$ 21.10	7,406,552[2]

(1) The amounts in this column include only the number of shares to be issued upon exercise of outstanding options, warrants and rights. At December 31, 2012, we also had 5,083,987 shares to be issued upon vesting of outstanding restricted stock and PSUs.

(2)

This amount includes 4,072,284 shares of common stock that may be awarded pursuant to the Equity Plan and 3,334,268 shares of common stock that may be issued pursuant to the ESPP.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information about certain relationships and related transactions, as required by Item 404 of Regulation S-K, is incorporated herein by reference from the discussion under the caption Certain Relationships and Related Transactions in the Proxy. Information about director independence, as required by Item 407(a) of Regulation S-K, is incorporated herein by reference from the discussion under the caption Proposal I: Election of Directors in the Proxy.

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Item 14. Principal Accountant Fees and Services.

Information about principal accountant fees and services, as required by Item 9(e) of Schedule 14A, is incorporated herein by reference from the discussion under the caption Proposal II: Ratify the Appointment of Independent Registered Public Accounting Firm in the Proxy.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements

See Index to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

See Index to Consolidated Financial Statements.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) Exhibits

Exhibit Index

Exhibit Number	
2.1	Binding Offer Letter Agreement, dated as of December 12, 2012 between NASDAQ OMX and Thomson Reuters (Markets) LLC.
3.1	Restated Certificate of Incorporation of NASDAQ OMX (incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed on August 7, 2009).
3.1.1	Certificate of Designation of Series A Convertible Preferred Stock of NASDAQ OMX (incorporated herein by reference to Exhibit 3.1.8 to the Current Report on Form 8-K filed on October 6, 2009).
3.2	By-Laws of NASDAQ OMX (incorporated herein by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on February 14, 2013).
4.1	Form of Common Stock certificate (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form 10 filed on April 30, 2001).
4.2	Indenture, dated as February 26, 2008, between Nasdaq and The Bank of New York (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on March 3, 2008).
4.3	Form of 2.50% Convertible Senior Note due 2013 (incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on March 3, 2008).
4.4	Registration Rights Agreement, dated February 26, 2008, among The NASDAQ OMX Group, Inc., J.P. Morgan Securities Inc. and Banc of America Securities LLC (incorporated herein by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on March 3, 2008).
4.5	The NASDAQ OMX Group Inc. s Stockholders Agreement, dated as of February 27, 2008, between The NASDAQ OMX Group, Inc. and Borse Dubai Limited (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on March 3, 2008).
4.5.1	First Amendment to The NASDAQ OMX Group Inc. s Stockholders Agreement, dated as of February 19, 2009, between The NASDAQ OMX Group, Inc. and Borse Dubai Limited (incorporated herein by reference to Exhibit 4.10.1

	to the Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 26, 2009).
4.6	Registration Rights Agreement, dated as of February 27, 2008, among The NASDAQ OMX Group, Inc., Borse Dubai Limited and Borse Dubai Nasdaq Share Trust (incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on March 3, 2008).
4.6.1	First Amendment to Registration Rights Agreement, dated as of February 19, 2009, among The NASDAQ OMX Group, Inc., Borse Dubai Limited and Borse Dubai Nasdaq Share Trust (incorporated herein by reference to Exhibit 4.11.1 to the Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 26, 2009).

Exhibit Number	
4.7	Indenture, dated as of January 15, 2010, between NASDAQ OMX and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on January 19, 2010).
4.8	First Supplemental Indenture, dated as of January 15, 2010, among NASDAQ OMX and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on January 19, 2010).
4.9	Second Supplemental Indenture, dated as of December 17, 2010, among NASDAQ OMX and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on December 21, 2010).
4.10	NASDAQ Stockholders Agreement, dated as of December 16, 2010, between The NASDAQ OMX Group, Inc. and Investor AB (incorporated herein by reference to Exhibit 4.12 to the Annual Report on Form 10-K for the year ended December 31, 2010 filed on February 24, 2011).
10.1	Amended and Restated Board Compensation Policy, effective as of May 26, 2011 (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 filed on August 4, 2011).*
10.2	The NASDAQ OMX Group, Inc. 2010 Executive Corporate Incentive Plan, effective as of January 1, 2010 (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 filed on August 4, 2010).*
10.3	Form of NASDAQ OMX Non-Qualified Stock Option Award Certificate (incorporated herein by reference to Exhibit 10.3 to the Annual Report on Form 10-K for the year ended December 31, 2010 filed on February 24, 2011).*
10.4	Form of NASDAQ OMX Restricted Unit Award Certificate (employees) (incorporated herein by reference to Exhibit 10.4 to the Annual Report on Form 10-K for the year ended December 31, 2010 filed on February 24, 2011).*
10.5	Form of NASDAQ OMX Restricted Stock Unit Award Certificate (directors) (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed on August 3, 2012).*
10.6	Form of NASDAQ OMX One-Year Performance Share Unit Agreement (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed on August 3, 2012).*
10.7	Form of NASDAQ OMX Three-Year Performance Share Unit Agreement (incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed on August 3, 2012).*
10.8	Amended and Restated Supplemental Executive Retirement Plan, dated as of December 17, 2008 (incorporated herein by reference to Exhibit 10.6 to the Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 26, 2009).*
10.8.1	Amendment No. 1 to Amended and Restated Supplemental Executive Retirement Plan, effective as of December 31, 2008 (incorporated herein by reference to Exhibit 10.6.1 to the Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 26, 2009).*
10.9	The NASDAQ OMX Group, Inc. Supplemental Employer Retirement Contribution Plan, dated as of December 17, 2008 (incorporated herein by reference to Exhibit 10.7 to the Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 26, 2009).*
10.10	Employment Agreement between NASDAQ OMX and Robert Greifeld, effective as of February 22, 2012 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 28, 2012).*
10.10.1	Memorandum of Understanding between NASDAQ OMX and Robert Greifeld, effective as of December 11, 2012.*
10.11	Nonqualified Stock Option Agreement between Nasdaq and Robert Greifeld reflecting December 13, 2006 grant (incorporated herein by reference to Exhibit 10.13 to the Annual Report on Form 10-K for the year ended December 31, 2007 filed on February 25, 2008).*
10.12	Nonqualified Stock Option Agreement between NASDAQ OMX and Robert Greifeld reflecting June 30, 2009 grant (incorporated herein by reference to Exhibit 10.11 to the Annual Report on Form 10-K for the year ended December 31, 2009 filed on February 18, 2010).*

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Exhibit Number	
10.13	2011 Performance Share Unit Agreement between NASDAQ OMX and Robert Greifeld (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed on November 4, 2011).*
10.14	Form of Amended and Restated Letter Agreement, effective as of December 31, 2008, between NASDAQ OMX and Certain Executive Officers (incorporated herein by reference to Exhibit 10.12 to the Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 26, 2009).*
10.15	Employment Agreement between Nasdaq and Edward Knight, effective as of December 29, 2000 (incorporated herein by reference to Exhibit 10.14 to the Annual Report on Form 10-K for the year ended December 31, 2002 filed on March 31, 2003).*
10.15.1	First Amendment to Employment Agreement between Nasdaq and Edward Knight, effective February 1, 2002 (incorporated herein by reference to Exhibit 10.14.1 to the Annual Report on Form 10-K for the year ended December 31, 2002 filed on March 31, 2003).*
10.15.2	Second Amendment to Employment Agreement between NASDAQ OMX and Edward Knight, effective as of December 31, 2008 (incorporated herein by reference to Exhibit 10.13.2 to the Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 26, 2009).*
10.15.3	Third Amendment to Employment Agreement between NASDAQ OMX and Edward Knight, effective as of February 22, 2012 (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on February 28, 2012).*
10.16	Employment Agreement, dated as of June 24, 2008, between OMX AB and Hans-Ole Jochumsen (incorporated herein by reference to Exhibit 10.18 to the Annual Report on Form 10-K for the year ended December 31, 2009 filed on February 18, 2010).*
10.17	Credit Agreement, dated as of September 19, 2011, among NASDAQ OMX, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities, Inc., Nordea Bank AB (publ.), Merchant Banking, Skandinaviska Enskilda Banken AB (publ.) UBS Securities LLC and Wells Fargo Securities, LLC (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on September 22, 2011).
11	Statement regarding computation of per share earnings (incorporated herein by reference from Note 13 to the consolidated financial statements under Part II, Item 9 of this Form 10-K).
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	List of all subsidiaries.
23.1	Consent of Ernst & Young.
24.1	Powers of Attorney.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley).
31.2	Certification of Chief Financial Officer and Executive Vice President, Corporate Strategy pursuant to Section 302 of Sarbanes-Oxley.
32.1	Certifications Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley.
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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* Management contract or compensatory plan or arrangement.

** The following materials from The NASDAQ OMX Group, Inc. Annual Report on Form 10-K for the year ended December 31, 2012, formatted in XBRL (eXtensible Business Reporting Language); (i) Consolidated Statements of Income for the years ended December 31, 2012, 2011 and 2010; (ii) Consolidated Balance Sheets at December 31, 2012 and December 31, 2011; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010; (iv) Consolidated Statements of Changes in Equity for the years ended December 31, 2012, 2011 and 2010: (v) Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010; and (vi) notes to consolidated financial statements.

(b) Exhibits:
See Item 15(a)(3) above.

(c) Financial Statement Schedules:
See Item 15(a)(2) above.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 21, 2013.

THE NASDAQ OMX GROUP, INC.

By:	/s/ ROBERT GREIFELD
Name:	**Robert Greifeld**
Title:	**Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of February 21, 2013.

Name	Title
/s/ ROBERT GREIFELD	Chief Executive Officer and Director
Robert Greifeld	(Principal Executive Officer)
/s/ LEE SHAVEL	Chief Financial Officer and Executive Vice President, Corporate Strategy
Lee Shavel	(Principal Financial Officer)
/s/ RONALD HASSEN	Senior Vice President and Controller
Ronald Hassen	(Principal Accounting Officer)
*	Chairman of the Board
Börje Ekholm	
*	Director
Steven D. Black	
*	Director
Glenn H. Hutchins	
*	Director
Essa Kazim	
*	Director
John D. Markese	
*	Director
Ellyn A. McColgan	

*	Director
Thomas F. O Neill	
*	Director
James S. Riepe	
*	Director
Michael R. Splinter	
*	Director
Lars Wedenborn	

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* Pursuant to Power of Attorney

By:	/s/ EDWARD S. KNIGHT
	Edward S. Knight
	Attorney-in-Fact

THE NASDAQ OMX GROUP, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

The following consolidated financial statements and schedule of The NASDAQ OMX Group, Inc. and its subsidiaries are presented herein on the page indicated:

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of The NASDAQ OMX Group, Inc.

We have audited the accompanying consolidated balance sheets of The NASDAQ OMX Group, Inc. (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the Index under Item 15(a)(2). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The NASDAQ OMX Group, Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The NASDAQ OMX Group, Inc. s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York

February 21, 2013

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The NASDAQ OMX Group, Inc.

Consolidated Balance Sheets

(in millions, except share and par value amounts)

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 497	$ 506
Restricted cash	85	34
Financial investments, at fair value	223	279
Receivables, net	333	308
Deferred tax assets	33	16
Default funds and margin deposits	209	17
Open clearing contracts:		
Derivative positions, at fair value		1,566
Resale agreements, at contract value		3,745
Other current assets	112	110
Total current assets	1,492	6,581
Non-current restricted cash	25	97
Property and equipment, net	211	193
Non-current deferred tax assets	294	392
Goodwill	5,335	5,061
Intangible assets, net	1,650	1,648
Other non-current assets	125	119
Total assets	$ 9,132	$ 14,091
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 172	$ 164
Section 31 fees payable to SEC	97	106
Accrued personnel costs	111	132
Deferred revenue	139	124
Other current liabilities	119	112
Deferred tax liabilities	35	27
Default funds and margin deposits	209	17
Open clearing contracts:		
Derivative positions, at fair value		1,566
Repurchase agreements, at contract value		3,745
Current portion of debt obligations	45	45
Total current liabilities	927	6,038
Debt obligations	1,931	2,072
Non-current deferred tax liabilities	713	670
Non-current deferred revenue	156	154
Other non-current liabilities	196	171
Total liabilities	3,923	9,105

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 December 31, 2012 and 213,398,111 at December 31, 2011; shares outstanding: 165,605,838 at December 31, 2012 and 173,552,939 at December 31, 2011	2	2
Preferred stock, 30,000,000 shares authorized, series A convertible preferred stock: shares issued: 1,600,000 at December 31, 2012 and December 31, 2011; shares outstanding: none at December 31, 2012 and December 31, 2011		
Additional paid-in capital	3,771	3,793
Common stock in treasury, at cost: 47,821,070 shares at December 31, 2012 and 39,845,172 shares at December 31, 2011	(1,058)	(860)
Accumulated other comprehensive loss	(185)	(350)
Retained earnings	2,678	2,391
Total NASDAQ OMX stockholders equity	5,208	4,976
Noncontrolling interests	1	10
Total equity	5,209	4,986
Total liabilities and equity	$ 9,132	$ 14,091

See accompanying notes to consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Consolidated Statements of Income

(in millions, except per share amounts)

	Year Ended December 31, 2012	2011	2010
Revenues:			
Market Services	$ 2,560	$ 2,886	$ 2,700
Issuer Services	375	361	338
Market Technology	184	183	152
Other			1
Total revenues	3,119	3,430	3,191
Cost of revenues:			
Transaction rebates	(1,104)	(1,344)	(1,312)
Brokerage, clearance and exchange fees	(352)	(404)	(363)
Total cost of revenues	(1,456)	(1,748)	(1,675)
Revenues less transaction rebates, brokerage, clearance and exchange fees	1,663	1,682	1,516
Operating expenses:			
Compensation and benefits	454	458	412
Marketing and advertising	26	24	20
Depreciation and amortization	104	109	103
Professional and contract services	96	83	72
Computer operations and data communications	60	65	58
Occupancy	93	91	88
Regulatory	34	35	35
Merger and strategic initiatives	4	38	4
Restructuring charges	44		
General, administrative and other	58	83	93
Total operating expenses	973	986	885
Operating income	690	696	631
Interest income	10	11	9
Interest expense	(97)	(119)	(102)
Asset impairment charges	(40)	(18)	
Dividend and investment income		1	(3)
Loss on divestiture of businesses	(14)		(11)
Income (loss) from unconsolidated investees, net	(1)	2	2
Income before income taxes	548	573	526
Income tax provision	199	190	137
Net income	349	383	389
Net loss attributable to noncontrolling interests	3	4	6
Net income attributable to NASDAQ OMX	$ 352	$ 387	$ 395

Per share information:						
Basic earnings per share	$	2.09	$	2.20	$	1.94
Diluted earnings per share	$	2.04	$	2.15	$	1.91
Cash dividends declared per common share	$	0.39	$		$	

See accompanying notes to consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Consolidated Statements of Comprehensive Income

(in millions)

	Year Ended December 31,		
	2012	**2011**	**2010**
Net income	$ 349	$ 383	$ 389
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on available-for-sale investment securities:			
Unrealized holding gains (losses) arising during the period	4	(15)	(3)
Income tax benefit, net of valuation allowance			1
Reclassification adjustment for losses realized in net income on available-for-sale investment securities		18	
Total	4	3	(2)
Foreign currency translation gains (losses):			
Net foreign currency translation gains (losses)	262	(120)	231
Income tax benefit (expense)	(95)	40	(98)
Total	167	(80)	133
Cash flow hedges:			
Reclassification adjustment for loss realized in net income on cash flow hedges			9
Income tax benefit recognized in net income during the period			(3)
Total			6
Employee benefit plans:			
Employee benefit plan adjustment losses	(10)	(2)	(5)
Income tax benefit	4	1	2
Total	(6)	(1)	(3)
Total other comprehensive income (loss), net of tax	165	(78)	134
Comprehensive income	514	305	523
Comprehensive loss attributable to noncontrolling interests	3	4	6
Comprehensive income attributable to NASDAQ OMX	$ 517	$ 309	$ 529

See accompanying notes to consolidated financial statements.

The NASDAQ OMX Group, Inc.

Consolidated Statements of Changes in Equity

(in millions, except share amounts)

	Number of Common Shares Outstanding	Common Stock at Par Value	Additional Paid-in Capital	Common Stock in Treasury at Cost	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2009	211,385,464	$ 2	$ 3,736	$ (10)	$ (406)	$ 1,610	$ 12	$ 4,944
Net income (loss)						395	(6)	389
Reclassification adjustment for loss realized in net income on cash flow hedges, net of tax of ($3)					6			6
Foreign currency translation, net of tax of ($98)					133			133
Employee benefit plan adjustments, net of tax of $2					(3)			(3)
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $1					(2)			(2)
Share repurchase program	(37,831,647)			(797)				(797)
Conversion of series A convertible preferred stock to common stock and accretion	845,646		16			(1)		15
Amortization and vesting of restricted stock and PSUs	579,759		23	(4)				19
Stock options exercised, net	708,731		5	9				14
Other issuances of common stock, net	94,730		1	6				7
Purchases of subsidiary shares from noncontrolling interests			(1)				(1)	(2)
Sale of subsidiary shares to noncontrolling interests and other adjustments							6	6
Balance at December 31, 2010	175,782,683	$ 2	$ 3,780	$ (796)	$ (272)	$ 2,004	$ 11	$ 4,729
Net income (loss)						387	(4)	383
Foreign currency translation, net of tax of $40					(80)			(80)
Employee benefit plan adjustments, net of tax of $1					(1)			(1)
Unrealized holding losses on available-for-sale securities, net of reclassification for losses realized in net income					3			3
Share repurchase program	(3,983,481)			(100)				(100)
Tender offer related to the 2013 Convertible Notes			(9)					(9)
Amortization and vesting of restricted stock and PSUs	632,682		14	8				22
Stock options exercised, net	1,030,721		(5)	22				17
Other issuances of common stock, net	90,334		13	6				19

Sale of subsidiary shares to noncontrolling interests and other adjustments							3	3
Balance at December 31, 2011	173,552,939	$ 2	$ 3,793	$ (860)	$ (350)	$ 2,391	$ 10	$ 4,986

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	Number of Common Shares Outstanding	Common Stock at Par Value	Additional Paid-in Capital	Common Stock in Treasury at Cost	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total
Net income (loss)						352	(3)	349
Foreign currency translation, net of tax of $95					167			167
Employee benefit plan adjustments, net of tax of $4					(6)			(6)
Unrealized holding gains on available-for-sale securities					4			4
Cash dividends declared per common share						(65)		(65)
Share repurchase program	(11,544,457)			(275)				(275)
Amortization and vesting of restricted stock and PSUs	1,997,516		(8)	44				36
Stock options exercised, net	2,051,066		(22)	45				23
Other purchases of common stock, net	(451,226)		8	(12)				(4)
Sale of subsidiary shares to noncontrolling interests and other adjustments							(6)	(6)
Balance at December 31, 2012	165,605,838	$ 2	$ 3,771	$ (1,058)	$ (185)	$ 2,678	$ 1	$ 5,209

See accompanying notes to consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Consolidated Statements of Cash Flows

(in millions)

	Year Ended December 31,		
	2012	**2011**	**2010**
Cash flows from operating activities:			
Net income	$ 349	$ 383	$ 389
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	104	109	103
Share-based compensation	46	36	33
Excess tax benefits related to share-based compensation	(7)	(10)	(2)
Loss on divestiture of businesses	14		11
Provision for bad debts	6	4	5
Charges related to debt extinguishment and refinancing		31	37
Deferred income taxes	16	4	(35)
Non-cash restructuring charges	16		
Net (income) loss from unconsolidated investees	1	(2)	(2)
Asset retirements and impairment charges	40	25	6
Amortization of debt issuance costs	3	6	6
Accretion of debt discounts	4	13	14
Other non-cash items included in net income			