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Robert Greifeld – President, Chief Executive Officer & Director
Lee Shavel – Chief Financial Officer & EVP-Corporate Strategy
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Other Participants

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Edward P. Ditmire – Analyst, Macquarie Capital (USA), Inc.
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and thank you for standing by. Welcome to The NASDAQ OMX Fourth Quarter and Full Year End 2012 Earnings Conference Call. At this time all participants are in a listen only mode. Later we'll conduct a question and answer session and instructions will follow at that time. [Operator Instructions] As a reminder today's conference may be recorded. It's now my pleasure to turn the time over to John Sweeney, Vice President of Investor Relations for NASDAQ OMX. Sir, the floor is yours.

John Sweeney, Vice President-Investor Relations

Good morning, everyone, and thank you for joining us today to discuss NASDAQ OMX's fourth quarter and full year 2012 earnings results. On the line are Bob Greifeld, the CEO; Lee Shavel, CFO; Ed Knight, General Counsel and other members of the management team.

After prepared remarks, we'll open up to Q&A. The press release and the presentation are on our website. We intend to use the website as a means of disclosing material non-public information and complying with disclosure obligations of SEC Regulation FD.

I'd like to remind you that certain statements in this presentation and during Q&A may relate to future events and expectations, and as such, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projections. Information concerning factors that could cause actual results to differ from forward-looking statements is contained in our press release and periodic reports filed with the SEC.

I'll now turn the call over to Bob.

Robert Greifeld, President, Chief Executive Officer & Director

Thank you, John. Good morning, everyone, and thank you for joining us today on this call to discuss NASDAQ OMX's fourth quarter and full year 2012 earnings results. I am pleased to note that we're doing the call from Stockholm where we are celebrating the 150th anniversary of the Stockholm Stock Exchange and joining with me here is Hans-Ole Jochumsen the head of the European business and obviously other members of the management team.

When we look back at 2012 for NASDAQ, one word comes to mind, resiliency. In a year that was challenging for everyone, where we encountered market challenges, weak demand, political turmoil and even hurricanes, we never stopped executing on our business plan.

The results we announced earlier this morning clearly demonstrate not only the resiliency, but the diversity and the strength of our business model. Let me start by giving you a few key highlights of our fourth quarter, then I want to talk a little about how we got there.

Fourth quarter, non-GAAP revenues of $419 million were the highest of 2012, recurring and subscription revenues accounted for 71% of total fourth quarter revenues, tied for the highest level in NASDAQ OMX's history. We delivered non-GAAP diluted EPS of $0.64, tied for the second highest quarterly performance in the firm's history. We finished the year with an exit run rate of $50 million in annualized expense savings, which I'll talk more about later.

While we're pleased with these results given the difficult times, by no means are we satisfied. We have yet to demonstrate the full earnings power of this franchise. One of the drivers that has made our model so successful over the past few years is the diversity of our business.
Corporate Solutions led the way, an effort we undertook six years ago and built from the ground up. Corporate Solutions revenues were $31 million in the fourth quarter, up an impressive 55% compared to $20 million in the fourth quarter of last year, with strong 25% year-on-year revenue growth from our core products and services.

Our success in diversifying our business model was also driven by our ability to create adjacent opportunities in our core business areas, many of which are non-transaction based and rooted in innovative technologies and software.

Let me be clear, however, we love our transaction businesses. We are leaders and execute exceptionally well in these areas. However, that love has never stopped us from looking for ways to one, diversify our revenue portfolio; two, better serve our customers; and three, pursue adjacent growth opportunities.

These opportunities have included a suite of solutions that cover the entire trading lifecycle to our members. We continue to benefit as we bring innovative data products and market systems software and services to meet the needs of our customers and power their businesses throughout the world.

We grew Access Services revenue 7% in the fourth quarter 2012, compared with the fourth quarter of last year and the Global Index Group increased by 8%. We continue to see good traction for our SMARTS broker surveillance and risk management tools. We continue to make progress in our Market Technology business which had exceptionally strong performance in the fourth quarter, delivering new business wins totaling $95 million. We are also pleased to close our first acquisition, the Global Index Group in the fourth quarter, a leading player in dividend indexing.

In contrast to most domestic equity mutual funds which have experienced outflows over the past three years, inflows into equity income funds with dividend-focused funds have increased in that same time period, a factor we believe bodes well for the future growth of this business. With this acquisition, the Global Index Group is one of the largest providers of dividend-themed indexes and further enhances our custom index offering capabilities.

Our U.S. Auctions business grew revenue 10% year-on-year in the fourth quarter, driven by increased revenue capture and expanding market share. In addition, so far this year, the signs for our transaction-based businesses are encouraging.

On the operating front in 2012, we continued our disciplined approach to expense control, with a cost reduction program we announced in February of last year. We ended the year tracking ahead of our $25 million savings target and exited 2012 with an annualized run rate cost savings of $50 million.

In addition to expense control, we have an extremely disciplined capital allocation program. When we deploy capital in an acquisition, we always apply strategic rigor before we do any deal. As I've said before on this call, any transaction must make strategic sense in some way, must also lever the mothership and be accretive to our shareholders within a year.

Share repurchases, dividend payments, and acquisitions are all vital elements of our capital allocation strategy. In 2012, we generated nearly $600 million in cash flow from operations and we returned $270 million – $275 million actually, to shareholders through our share repurchase program and an additional $65 million through dividends.

Through our GIFT council, we continue to invest in and bring new and innovate product and services to market. In 2012, we generated approximately $134 million in revenue, based on the investments we have made in new initiatives over the past four years. Three great examples of our successful GIFT initiatives are BX Options, our inside sales force for Corporate Solutions and our Index Weighting & Components product sets.

Now as I've alluded to previously, the management team here is firmly focused on the opportunities across different sectors. We have driven growth and created scale across many of our businesses and are now providing operational visibility into these areas. We recently have made several noteworthy moves with this goal in mind. A few weeks ago, we announced the combination of our Market Technology business and our Corporate Solutions business to create a leading technology and software business, now called Global Technology Solutions.

One of the drivers for this combination was our announcement of the acquisition of the IR, PR and Multimedia Solutions businesses of Thomson Reuters. As I mentioned before, we have long admired the Thomson Reuters model and now through this acquisition, we will accelerate our strategy and create one of the premier suites of products and services for public and private companies. We will bring the assets, talent and technology together to deliver a strong customer-centric value proposition to over 7,000 new clients in over 60 counties. Truly an amazing opportunity.

The transaction is currently under review by regulators and we expect it to close in the first half of this year. Once completed, it is expected to be accretive to earnings within the first 12 months excluding transaction-related costs and is expected to generate attractive returns on capital.

We believe the technology and the continued innovation of industry-leading products and services will differentiate NASDAQ OMX. Our Global Technology Solutions business would be one of the larger players in the space and similar in profile of the companies such as ACI Worldwide, Fidessa, Fiserv and Fidelity National Information Services.

As part of this effort, we also announced a new Chief Information Officer who will be joining our firm, Brad Peterson. Last year, we took several key steps to improve our technology and enhance the way we bring products and services to market. We said one of the things we wanted to accomplish was to appoint a dedicated CIO. Brad brings significant experience and leadership skills to NASDAQ OMX and his diverse background includes successful technology leadership roles at Charles Schwab, eBay and Epoch Partners. We are lucky to have him and he will be the point person for all technology efforts across NASDAQ OMX.

Just this week, we also announced the combination of our Global Index and Global Data Products businesses. Data Products and the Global Index Group both have high margins and saw a positive year-on-year growth in 2012. Bringing these two businesses together makes perfect strategic sense for us, as they are rooted in technology and in the delivery and distribution of data, things we do exceptionally well.

Global Information Services, as we refer to the combined unit, will represent approximately 20% of NASDAQ OMX's total annual revenues and will have a similar profile to companies such as MSCI, McGraw-Hill and FactSet. This combination puts us in a great spot to capitalize on the work that has been done in both these areas and create new products and solutions for our customers, which really span virtually every corner of the financial services industry. The results of this diversified approach demonstrate that our strategy is working.

Recurring and subscription-based revenue now accounts for 71% of our total revenue and reached $297 million in the fourth quarter of 2012, that is up $9 million from the previous year. It is truly a remarkable evolution of our business. Once we close the Thomson deal, we expect our recurring and subscription revenues will approach 75% of our total revenues.

In closing, I've summarized what we consider to be the highlights of our strategy and a few examples of the successful execution of that strategy in 2012.
Now I'd like to discuss in an overview fashion our outlook for 2013. We believe that the year ahead will be positive for our business as the global economy continues to recover. We expect 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 possible acquisitions that complement our existing businesses.

So far, the market environment has been encouraging in 2013. In the U.S. in January, we are seeing positive multi-week equity inflows from retail investors for the first time in over one year. In addition, the last three reported weeks from Lipper showed positive inflows into the U.S. equity mutual funds. We don't know if this trend will continue, but certainly, these are the most encouraging signs we have seen for U.S. equity volumes in many years. Still, our outlook will remain cautiously optimistic and we are planning for flat to relatively modest growth in volumes.

Now with respect to our industry, we see that the market structure, that market structure will continue to define and shape the discussion of the day. For NASDAQ OMX's role, we will continue to provide leadership and innovation in the market structure to benefit investors, not just so that markets remain stable in times of stress, but more importantly, so the markets can continue to fulfill their original purpose and intent.

In 2012, NASDAQ overcame many of the internal and external challenges that were thrown our way, a credit to everyone on this team. At the end of the day, the challenges we faced in 2012 have made us a better company. As we move forward, we will continue to redefine and reshape our business and create even greater value for our customers, shareholders and stakeholders.

And with that I'd like to now turn the call over to Lee.

Lee Shavel, Chief Financial Officer & EVP-Corporate Strategy

Thanks, Bob. The following comments will focus on our non-GAAP results. Reconciliations of the GAAP to non-GAAP results can be found in the attachments to our press release and in the presentation that's available on our website at ir.nasdaqomx.com.

I'll start by reviewing our fourth quarter revenue performance. Net exchange revenues came in at $419 million compared to $420 million in the prior year. Subscription and recurring revenue representing 71% of total revenues continued to show growth over the third quarter and the prior year quarter.

And I'd like to highlight some of the areas in this revenue category where we saw particular strength. Access and Broker Services, fourth quarter revenues increased by 7% over the year to $65 million. While we are starting to see some signs that customers are delaying their infrastructure spending, which has reduced the level of growth for our co-location and connectivity revenues, we continue to see encouraging momentum and positive outlook for our previously announced FinQloud and microwave initiatives, where we've had a positive customer response and expect revenues starting in the second quarter of 2013.

Corporate Solutions revenue increased 55% with 25% year-over-year organic revenue growth with, solid business new wins for BWise. And in Market Technology, we saw exceptionally strong order intake, rounding out a record year for new business wins. We anticipate first quarter 2013 Market Technology revenues of $44 million.

Transaction revenues, which represent 29% of total, declined by $10 million or 8% year-over-year to $122 million. This was an improvement compared to the third quarter when our transaction revenues declined 21% over the prior-year quarter. We saw a substantial improvement in our U.S. Options business, which had double-digit revenue growth versus the prior year, through improvements in market share and revenue capture, despite lower volumes over that year-over-year. This represents the first time in five quarters, that one of our transaction businesses increased on a year-over-year basis.

U.S. equity volumes, as Bob mentioned, showed some signs of improvement in the fourth quarter and continue to modestly improve in January. We saw some positive trends in particular for equity mutual fund inflows in the first weeks of January.

While the low-volatility environment, with higher rates of internalization, have contributed to our lower U.S. equity market share, we did see our U.S. equity capture rate increase 8% year-over-year in the fourth quarter.

On the expense side, we continue to show solid expense growth with non – I'm sorry, expense control, with non-GAAP operating expenses of $233 million in the fourth quarter, flat compared to the prior year. These results reflected incremental expenses from acquisitions and GIFT spending of $20 million, offset by a decline in core expenses driven by our cost reduction plan.

Moving on to our 2013 expense guidance, as outlined on slide 13, we start our 2013 core expense guidance of $850 million to $870 million, which is in line with our 2012 actual core expenses of $855 million and I would note, that we do anticipate an increase of expenses in our – in the core due to the successful graduation of four of our GIFT initiatives that will be moving from GIFT spending into our core spending, as well as through some structural increases within our – within our core expense base.

This chart clearly demonstrates how effective our cost reduction efforts were in 2012. Please remember that our initial guidance for 2012 was $915 million to $935 million for core expenses, substantially higher than our 2012 actual results. At current rates, we forecast foreign currency to increase 2013 expenses by approximately $10 million.

Our 2013 cost guidance factors in $50 million of expenses related to the acquisitions we made in 2012, BWise, NOS, and the index business reflecting the full-year expense base for those combined acquisitions. And so, this establishes our core expense base of $910 million to $930 million for 2013.

In 2013, we expect to invest $50 million to $60 million in spending on new initiatives as we ramp up our initiatives at NLX and other internal GIFT projects. So, our 2013 non-GAAP operating expense guidance sums to a range of $960 million to $990 million.

Non-GAAP operating income in the fourth quarter of 2012 was $186 million, down $1 million compared to the prior year. Non-GAAP operating margin came in at 44%, down slightly from 45% in the prior year, primarily as the result of lower revenues in our higher margin transaction businesses. Net interest expense was $22 million in the fourth quarter of 2012, a decrease of $1 million versus the prior year.

The non-GAAP effective tax rate for the fourth quarter was 35% and 34% for the full year. We anticipate that the tax rate may increase in 2013 due to the potential loss of tax deductions, resulting from changes in tax laws in certain jurisdictions. The impact of such tax law changes has not yet been determined. As a result, we expect an effective tax rate in the range of 34% to 37% in 2013.

We understand that this is a wide range with the lower end or 34% signifying no change in the current tax laws and the higher end or 37% reflecting an adverse change. We will continue to monitor the status of tax legislation and update our guidance as we get more clarity on the situation.
Non-GAAP net income was $108 million or $0.64 per diluted share, compared to $113 million or $0.63 per diluted share in the fourth quarter of 2011. The $0.01 increase in our EPS reflects a positive operational gain of $0.04 per share and a $0.04 benefit from our share repurchase activity, partially offset by a $0.03 reduction due to the increased fourth quarter 2012 effective tax rate, a $0.02 reduction due to the ramp-up of our acquisitions and a $0.02 reduction due to the funding of our GIFT initiatives.

Moving on to the balance sheet, on slide 16, we are showing our debt structure and our debt maturities, our relatively low leverage, strong cash flow generation and spaced debt maturities give the company considerable latitude for our ongoing capital development initiatives.

In 2012, NASDAQ OMX generated cash flow from operations of $594 million, capital expenditures were $87 million in 2012 which is equivalent to approximately 5% of our net revenues. As some of our analysts have recently pointed out, this level of capital expenditure is at the lower end of the range for exchanges.

Deducting capital expenditures of $87 million from our 2012 operating cash flow, results in free cash flow of $507 million. This relatively high level of free cash flow generation means that NASDAQ OMX is currently valued at 11% free cash flow yield at the current market cap, a substantial discount compared to other U.S. exchange companies, which trade in the 7% to 9% free cash flow yield range.

On slide 17, we show our track record of cash flow generation and cash flow utilization since 2009. As you can see, NASDAQ has generated roughly $2 billion in free cash flow in the last four years. We have used that free cash flow to repurchase approximately $1.2 billion of our outstanding common stock. This equates to 53.4 million shares at an average price of $21.97, a reduction of our share base by 26% in this time period. Between 2009 and 2011, capital returns from dividends and share repurchases represent 63% of our free cash flow, excluding Section 31 fees.

We have refinanced and restructured our debt with a net repayment of debt of $540 million, and we have invested $320 million net of dispositions and acquiring a variety of assets including BWise, NOS Clearing, the index business of Mergent, SMARTS, F10, Glide, and the business of RapiData. These bolt-in acquisitions have allowed us to broaden our existing business and enhance our ability to grow profitably.

Finally, we paid our third quarter dividend of $0.13 per share in December. This quarterly dividend represents a yield of about 2% at our current valuation.

The underpinning of our capital deployment strategy is a robust return on invested capital framework. We continue to see attractive value-creating opportunities for internal investment and acquisitions and as always, all potential uses of cash are screened to ensure that they have strong returns on invested capital for our shareholders and we allocate our capital to the highest yielding investments.

Thanks for your time and I will now turn it back over to John

John Sweeney, Vice President-Investor Relations

Thank you very much. And operator, we'll now take some questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Howard Chen with Credit Suisse. Please go ahead. Your line is now open.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Howard? Are you there, Howard?

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Here.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Are you there, Howard?

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: I'm here, can you hear me, okay.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yes, we can.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Okay, great. Bob, on the operating backdrop, you noted the recent improvement in flows, but as we...

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Howard?

<A – John Sweeney – The NASDAQ OMX Group, Inc.>: Operator, we seem to have lost Howard. Can we move to the next question and then come back to him.

Operator: Yes, sir. We sure can. Our next question comes from Ed Ditmire. Please go ahead, with Macquarie.

<Q – Ed Ditmire – Macquarie Capital (USA), Inc.>: Good morning. Whether or not transaction revenues rebound in 2013 and mitigate the trend towards higher recurring revenues, NASDAQ's building these steady, reliable, predictable revenues at a steady clip and it seems to be building a higher capacity to support more dividends. I know NASDAQ finds great opportunities for minor work, for acquisitions, buybacks, et cetera. Can you give us any more color on the appetite on your part for a higher dividend payout ratio and/or what kind of times would be right to consider things like that?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Well, I would start by saying, one is it's certainly something that we consider. We obviously are, I think, comfortable with the dividend payout today as the best allocation of our capital, but it's something that we and the board revisit on a regular basis.

<Q – Ed Ditmire – Macquarie Capital (USA), Inc.>: Then one follow-up. I wanted to ask you, is there any update on the Jefferies lawsuit related to IDCG?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Sure. Mr. Knight's on the phone. If you could handle that, Ed?

<A – Ed Knight – The NASDAQ OMX Group, Inc.>: Yes, after a full arbitration hearing before three retired Federal judges and a hearing that lasted well over a week, a briefing that went on for the year before, NASDAQ OMX prevailed on all claims and Jefferies was not awarded a penny in damages. We vigorously defended this matter and are very pleased with the outcome.

<Q – Ed Ditmire – Macquarie Capital (USA), Inc.>: Okay. Thank you.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: And obviously, we're well served by Mr. Knight and I think the truth revealed itself through the course of the litigation.

<Q – Ed Ditmire – Macquarie Capital (USA), Inc.>: Thank you.

Operator: Thank you sir. Our next question will come from Howard Chen with Credit Suisse. Please go ahead. Your line is now open, sir.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Hi. Good morning. Can you hear me any better?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yeah, we can hear you fine.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Okay, great. Congrats on a nice end to the year, Bob.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Thank you.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Bob, on the operating backdrop you noted the recent improvement in flows, but as we've seen those flows, these net inflows into the equity market, higher asset levels, and that improvement in client risk appetite, we're still seeing pretty tepid overall volumes. What do you attribute that disconnect to?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: I think you have to give it time. Right now, we're talking about three weeks of inflows and you have to reasonably expect that PMs need to consider what to do with that money and how to invest it. So, I think, one, it's too early to say that inflows will continue and it's certainly too early to say what will happen to those inflows with respect to equity volume. But it is a good thing. [ph] It's hard to construe (27:21) January as being a bad thing and I would say that we're running ahead of our internal budgetary numbers right now for the month of January.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Understood. Thanks, Bob. And then my follow-up, you've been a really active participant in industry consolidation in the past and with two of your larger peers coming together, I was just hoping for your view on ICE-NYSE Euronext combination, how you think it impacts the competitive landscape and your M&A priorities as these deals, historically, have come in bunches in the past? Thanks.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: That's a great question. You know what's interesting is, we digested the ICE-NYSE acquisition. I think we, the management team and the board, really gained a sense of comfort with respect to the strategy that we have executed over the last number of years and the positioning we have in the relative markets that we compete in today. And as I've said before, we compete aggressively with NYSE today. We expect that to continue post the acquisition. So, we don't see that changing. We don't compete with ICE today and we don't see that changing either.

So, I think it validates our strategy. We've been able to obviously diversify to do well. Not as well as we like but still very well in respect to the times we lived in and we're certainly levered to do incredibly well to the extent the economy gets that much better.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks for the thoughts.

Operator: Thank you sir. Our next question comes from the line of Rich Repetto with Sandler O'Neill. Please go ahead. Your line is open.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: Yeah, good morning, Bob. Good morning, Lee.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: How are you doing there, Rich?

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Hi, Rich.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: I'm doing fine. I guess the first question is strong results in the Corporate Solutions, and I was just wondering, Lee, whether you could – you did mention BWise, but the $7 million uptick just quarter-to-quarter could you sort of dissect that a little bit more, and is that a run rate you think is sustainable going through 2013?

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: I'd say, there's clearly – we saw strong results from BWise, but I also don't want to overshadow the fact that we also saw strength – continued strength in our director Directors Desk product, as well as in our PR Newswire business. So I'd say that across the board we just saw overall stronger corporate activity. We do anticipate that BWise will continue to ramp up. They had a strong end to the year, and we also continue to be optimistic for growth in the Glide product. So in terms of looking forward, I don't want to set a particular expectation, but I think we just anticipate continued growth across the board in our Corporate Solutions businesses.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yeah, Rich. I think we felt well positioned prior to the Thomson acquisition, and I think we'll be incredibly well-positioned post the acquisition. We have invested in spaces that have some core organic growth opportunities in front of them and we intend to execute the plan.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: Got it. And then follow – on the expense side, for Lee or Bob, I'm just trying to understand, the spending that you have on slide 13, the investment spending they're the new initiatives as well the acquisitions? And then trying to understand, I guess, slide 15 like how much revenue – like should we just take the $100 million to $110 million? What's in the revenue offsets right now? Is that – I didn't totally understand the slide 15, is that – is your revenue offsets already in the run rate too?

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Well, I think what you see on page 15, if you're looking at the 2013, is that we are anticipating $12 million of revenue from our current new initiatives that have been funded and will be – continue to be funded through 2013. So that's what the – where the revenues are coming from. Obviously there's a – the larger amount of revenue, which reflects all of the projects that we have invested in over this past five-year timeframe. That's the revenue. Rich, I don't know, is there another dimension as it ties to the $50 million to $60 million of expected investments in new initiatives that you were going at?

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: I was just trying to see whether we should just model that in without any revenue offsets there, but I think we can do more on a follow-up offline, because I do have one last question I want to ask, Bob.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Right.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: So, Bob, this is – a little bit was asked prior, but – you talked about shaping and defining the market structure. I think investors are sitting here, from a regulatory perspective, they're sort of mixed, they see headwinds, they see tailwinds and you got Jeff Sprecher now, a friend of yours, coming out and saying, he wants to strengthen the equity market structure. So, I guess the question is, what are the things you can do that would be briefly but could be positive and help the U.S. publicly-traded exchanges and then what do you see as risk from a regulatory standpoint?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Well, one is, I welcome Jeff to these calls, I assume he's listening in and we certainly welcome him to the fight to change U.S. equity market structure. I do believe he'll bring a different dimension to the discussion. Obviously, he has deep experience in the markets and I think that will be helpful.

When we look at our plans for 2013, we include basically zero positive and/or negative regulatory change into those plans. So, from that point of view, we don't think there'll be any moves in 2013 to speak to the increasing darkness in the market, nor do we see a transaction tax coming into the markets in 2013. We certainly believe that the commission needs to step up to the market structure and address the increasing darkness of the market, and certainly as we've said before in a large number of stocks, it's now over 50%. And I think that doesn't help anybody. So, while we'll spend time and effort on those discussions, we don't expect – we're not planning for that to have any impact in 2013 and if it does, we'll be pleasantly surprised.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: Okay. Helpful. Thank you.

Operator: Thank you sir. Our next question comes from the line of Niamh Alexander with KBW. Please go ahead.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: Hi. Thanks for taking my questions. I guess back on equities. I know it is a smaller part of your transaction businesses by far now, but your market share is dipping a little bit. I mean, here we are in January, it's only three weeks in, but we're below 18% as it's tracking there. I mean, is that a level that you're comfortable with or given that you're such a big listing venue I'm just trying to understand your level of comfort with market share, does it matter less? I mean, it's you and [ph] NLX (34:58) primarily losing to internalization of the market structure, but help me understand what's a good level for you where you're comfortable with, you've been successful with just moving away from price wars into kind of offering different order types, but has that played out? And now with kind of the algo offerings kind off the table, help me think about what you can do to bring up that share and if you want to?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yeah, great question. I would say one is, we're not at our level of comfort with respect to market share. So we certainly, in prior calls, talked about the fact that we were not going to [ph] authorize just (35:30) for market share and we looked at the capture and the overall health of the business. But our feeling right now is that our market share is not where it wants to be and we do have, under Eric's leadership, a number of different plans that we'll be rolling out that I think will address that and we did have some encouragement in the last week or so from our latest series of moves.

So, we're focused on it. We believe there is clearly opportunities within the current commission structure to offer more differentiation in how we approach our customers and it's our job to maximize that opportunity and we're focused on it. And in no way, shape does that focus mean that we're talking about getting into a [ph] compression capture game (36:19), we just think it's a matter of profit differentiation, so we are focused.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: Okay. Thanks, Bob. And then on the capital, just now you've kind of gotten to know Thomson a little bit better. I assume you've kind of gotten past the labor agreements you needed to get to for the definitive merger agreement. But are you still thinking that this doesn't change your capital return policy with respect to maybe potential for a dividend increase and then thinking about maybe capacity of $50 million to $75 million for share repurchases per quarter?

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Yeah, Niamh, just to reiterate what we said before, we don't believe that the Thomson acquisition changes our capital return strategy in any way.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: There's still potential for the $50 million to $75 million a quarter?

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Yes.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: Okay. Thanks, Lee. I appreciate it.

Operator: Thank you. Our next comes from Matthew Heinz with Stifel, Nicolaus. Please go ahead. Your line is open.

<Q – Matthew Heinz – Stifel, Nicolaus & Co., Inc.>: Hi, good morning, guys.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: How are you doing, Matthew?

<Q – Matthew Heinz – Stifel, Nicolaus & Co., Inc.>: Very well, thanks. Just in light of the French transaction tax and then the potential for some of the individual EU members to go ahead with a sort of broader transactions tax, do you think there's a possibility that that pushes volumes in certain markets into your Nordic businesses, where it doesn't look like those markets will be subject to any type of surcharges?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Great question. So, one, implicit in your point is that we don't see any possibility of a transaction tax in Sweden in that the government has strongly spoken against it and they kind of have been there, done that back in the 80s and it did not work. Whether or not that represents opportunities for us on a pan-European basis, we can't say at this point. I'm looking at Hans-Ole as I'm answering this question. But certainly something that we're spending time and thinking about, it's a possible opportunity, but we're not sure if it's a definitive one at this point.

<Q – Matthew Heinz – Stifel, Nicolaus & Co., Inc.>: Okay, thanks. And then just with respect to U.S. equity regulation, we have a new SEC chair coming into place here this year. I'm just wondering how you kind of view the two-sided risk, I guess, between – perhaps a broader crackdown on HFT, which could be detrimental to your business versus a sort of a shift way from internalization and dark pool trading, which could potentially benefit your business. How do you kind of view these potential offset between those two pieces of regulations?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yeah, so I would say one, in 2013 with respect to our planning, we have neither positive nor negative impacts from regulatory changes. That being said, if we were to give percentages on one thing happening versus the other, I think there's a growing and broadening base of participants who recognize that the increasing darkness of the market represents a problem. And so I would be more optimistic that in the fullness of time, we're able to make some changes on that. And I certainly believe, with respect to transaction taxes, that it's not something that we've heard mentioned for a long period of time in the States.

<Q – Matthew Heinz – Stifel, Nicolaus & Co., Inc.>: And then the HFT fees?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Well, that kind of goes a little bit hand in hand with the transaction tax. So we don't see any movement with respect to transaction tax or HFT at this point in time, but I'm clearly not here to speak for the commission and they have to go through their own set of deliberations.

<Q – Matthew Heinz – Stifel, Nicolaus & Co., Inc.>: Okay. Thanks very much.

Operator: Thank you, sir. Our next question comes from Alexander Blostein with Goldman Sachs. Please go ahead. Your line is open.

<Q – Alex Blostein – Goldman Sachs & Co.>: Hey, good morning, guys.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: How are you doing?

<Q – Alex Blostein – Goldman Sachs & Co.>: I wanted to follow up on a couple of things. I guess when I look across the business, look at the Access Services business, look at the Market Tech business, and I guess you guided to a slight decline quarter-over-quarter in the technology business. But when you look across the street, it feels like 2013 is still going to be a year for the rationalization across the sell-side community, maybe to some extent the buy-side community. When you think about these businesses for you guys, how do you feel about I guess the growth prospect in those three buckets for 2013?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: This is Bob. I would say, one, our general attitude to each and every one of our businesses, without exception, is markedly more positive than 2012. And if you recollect on this call a year ago, we gave a fairly somber update. So that's a good thing. We also recognize that's against a low bar with respect to what our expectations were for 2012. But it's good that it's better and as I've said previously, January for our businesses, has tracked better than we planned. Beyond that, it's hard for us to make predictions for the whole year.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Alex, I'd attack it this way. First, when we look at Access Services, as we indicated, there and some more of our traditional hardware businesses, clearly there has been an impact as some of the firms, some of our clients have been reducing their overall technology footprint. Now, some of that has created opportunity for us to sell some of our 40-gig connectivity products in place of the 1-gig and 5-gig products. And so that's an opportunity.

In addition, opportunities to sell them technology that allows them to improve their efficiency as we're doing with our FinQloud initiative, as well as risk management products are also driving growth for us across that business. And beyond that, our microwave initiative, similarly is something that we see strong appetite for that is going to be generating revenues for us very quickly.

So, on that side of the business we do some – face some pressures on the traditional side, but we're seeing good appetite in growth, in particular around cost-driven technologies. As I mentioned in Corporate Solutions, another key technology business for us, there we're seeing, across the board as I mentioned, good appetite for the Directors Desk product, increase in the number of news releases that are flowing through our Newswire businesses, as well as clearly strong appetite for our BWise Enterprise Risk Management software.

And then finally, in Market Technology, we have come through a period where we had some customers that did delay some of their spending, but as you saw in the fourth quarter, we've had the strongest order intake that we've seen in quite a while. And I think we continue to be optimistic that there is a shift in mentality or our clients are feeling somewhat more comfortable in making the investments that they need to over the next years as we see this market environment improving.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: So, in listening to Lee talk here, it really is remarkable because the terms and the names that he's using today really did not exist in our vocabulary three years ago. So, we have built a culture here to recognize that how we have made our money in the past will not be how we make it in the future. This is obviously fundamental in these times where you're fundamentally facing headwinds on a consistent basis. And we've built the culture, we've delivered results as you see this quarter as a direct consequence of that.

Now to the extent that the macro environment gets better, we're truly leveraged to do that much better, but we know that we have to do new and different things. A year ago, we didn't think about microwave, we didn't think about 40-gig as a service. We didn't own products such as BWise, so this organization is evolving really on a constant and consistent basis and that's been the key to our success and will continue to be the key to our success.

<Q – Alex Blostein – Goldman Sachs & Co.>: Got you. Thanks. Lots of good color there. But certainly just to make sure I understand, on the Market Tech, the quarter-over-quarter decline, is it just a timing issue, so going from $48 million to $44 million in the first quarter and as you said the backlogs are pretty strong, so should we think about the ramp up?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: The backlog was more than strong, I mean, in the fourth quarter we took in – what was it – $95 million in new orders.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Yeah.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: So, Market Tech, independent of the given quarter, had truly a phenomenal year and we certainly topped it off with the $95 million in the fourth quarter.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: There are always going to be, quarter-to-quarter, delays. These are sometimes a large projects with chunky revenues that are dependent upon actual delivery of those projects, which can be subject to delay. So it may, from a timing standpoint, have an impact quarter-to-quarter, but what we focus on is building the backlog and just continuing to try to bring as much of that revenue through the product.

I think what we're most confident about is that the backlog has continued to show strong growth and we're not really seriously concerned about the sequential quarter results here. This is a business we look at for the long term.

<Q – Alex Blostein – Goldman Sachs & Co.>: Got it. Thanks. Very helpful. And my second question is on capital, obviously it's a high-class problem to have for you, guys. But, Lee, I think in the past you talked about targeting sort of like an S&P 500-like dividend yield, which I guess was shaken out around too. I guess right now, maybe you guys are a little bit below that, without I guess giving us too much guidance on this, but do you guys ever think of a sort of metric that you think from a dividend, either a payout perspective or a dividend yield perspective, that we can think about with respect to further dividend increases?

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Alex, we look at all of those metrics, and it really is looking at our yield growth to be S&P 500, the payout ratios, but most importantly – sorry to reemphasize this, but we really look at what do we think the returns on our capital are going to be between our various options of investing in the business, in looking at acquisitions or returning it to shareholders. And when we make the decision on capital management and when we discuss that with the board, we look at all of those metrics to try to guide our decisions here.

<Q – Alex Blostein – Goldman Sachs & Co.>: Got it. Thanks a lot for taking my questions.

Operator: Thank you, sir. Our next question comes from the line of Jillian Miller with BMO Capital Markets. Please go ahead. Your line is open.

<Q – Jillian Miller – BMO Capital Markets (United States)>: Thanks. You laid out...

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: How are you doing?

<Q – Jillian Miller – BMO Capital Markets (United States)>: I'm doing well. You laid out for us last quarter that, I guess, in your estimation about $50 million of your annual revenues are impacted by high frequency trading, specifically from transaction revenue and co-lo. I was just hoping you might be able to broaden kind of the scope of your revenue estimate a bit for us. If we take into account like Market Data, which is a large chunk of your operating profit, could you give us an idea for what that figure might look like?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yeah, I recollect that number was inclusive of all aspects of our relationship with the defined high frequency firms – the high frequency trading as we defined it last quarter.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: That's correct. It did include Market Data.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yeah, it was the...

<Q – Jillian Miller – BMO Capital Markets (United States)>: Oh, okay.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yeah. It was the entire customer relationship.

<Q – Jillian Miller – BMO Capital Markets (United States)>: Okay. Got it. Thanks. That's helpful. And then you guys have decided NLX as one of kind of your key investments you'll be making in 2013. And I was just wondering, now that NYSE's clearing arrangements kind of in place with ICE, if you could talk about how that might impact your strategy and prospects, just because I recall one of your selling points was that Liffe's clearinghouse would be untested and NLX provided an opportunity to remain at LCH. But not sure that that argument kind of applies, now that you've got a proven clearinghouse with ICE?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yeah, I agree. Clearly the customers in London were giving very little credibility to Liffe's ability to leave LCH in the timeframe. Now Jeff and the ICE team bring more credibility to that and obviously have demonstrated confidence in that in the past. So that's an aspect of it, but I would still say that the value proposition remains constant, and that we will be clearing through LCH, the customer set is there, desires to stay there, and to the extent that we can provide a trading platform that has relative advantage, and first and foremost, is proven and trusted in a given timeframe, I think that will work out well for us. So we are investing in that. We have committed to that and we're excited about the prospects.

<Q – Jillian Miller – BMO Capital Markets (United States)>: Okay, thanks. And just one final one from me. The Global Index Calculator Service, I know you guys mentioned that in the last call, and I think it was set for launch in the fourth quarter, so just wanted to get an update on progress there and maybe your expectations for potential impact to your Index revenue line from that in 2013?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Wonderful. We're always happy to have a question on one of our high margin, growing businesses. And one of the final drivers to bring us to the point where we decided to put Data in the Index business together is that we did successfully launch the product in December of 2012. We obviously have many more things we want to do with the product, but it's a major launch to have the Global Index capability available to us.

The customer reaction has been very strong. This is a long sale cycle. They want to back test the data. They want to work with our data and that engagement has been very strong. Now, one of the wisdoms of putting it together with our Market Data business is distribution in our Data world is obviously very strong and also global. And for that to be really integrated indirectly from both the product development of view and the distribution point of view, will give us strong advantage in the market.

So we are spending a lot of time, effort on this. As I said in my opening comment, this is a high margin business, there is a tremendous amount of growth opportunity in it. There is an established order, that is a very high cost environment. We have the ability to disrupt in a number of different ways, not just on cost but also in terms of capability and flexibility in terms of how our indexes are constructed and still maintain very high margin. So we're excited about it, we obviously want to focus on it from both the investor point of view and a management point of view and one of the key reasons why we have made it a separate and discreet reportable segment going forward.

<Q – Jillian Miller – BMO Capital Markets (United States)>: Got it. Thank you.

Operator: Thank you, ma'am. Our next question comes from the line of Chris Allen with Evercore. Please go ahead, your line is open.

<Q – Chris Allen – Evercore Partners (Securities)>: Good morning, guys. Nice quarter.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Thanks, Chris.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Thank you. Appreciate it.

<Q – Chris Allen – Evercore Partners (Securities)>: I just want to focus a little bit again on the expense guidance, because we're getting an inordinate amount of questions from investors on it, even though your [indiscernible] (52:09) expense has always been very healthy.

I guess what I wanted to talk about, if you guys could just give some color, when we look at FX and the acquisitions, FX it's kind of clear that there would be a positive net benefit if FX trends hold given the [ph] later side (52:28). Just on the acquisition side, the impact of BWise, NOS and the index acquisition, maybe you could give some color just in terms of how accretive those acquisitions are, how the profit margins within those business compare to overall NASDAQ right now.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Well, on the acquisitions, I'd say, we can't break out any individual acquisition. All of these – we believe that all of these acquisitions are going to be accretive transactions for us within a year of their acquisition. From a margin standpoint, I would say that BWise is a software-oriented business, it's inherently a lower margin business than our transaction businesses.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Our goal there would be to get that to a 20%, 25% margin range and it's not there today.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: NOS as a clearinghouse, is a higher margin business that's where we got great operating leverage, we're going to be leveraging not only our operational efficiency, but frankly also our capital efficiency with NOS to generate very attractive margin, consistent with our transactional businesses.

And with Mergent, this is, in the index business, a great margin business as our existing index businesses. So we certainly think additive to the margin overall. But I think it's important to understand the different characteristics of these businesses, particularly some of the software business versus some of our more transactional elements.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: And I'll just add for you and for any investors who are asking, we have a philosophy here that the quest for efficiency is really internal and it's something we work on, on a constant and consistent basis. As you saw in 2012, we initiated a formal program, but lacking a formal program it's something we look at, just to ensure everybody that this organization will always run lean and as efficient as possible and the numbers you have here will be something that we always look to improve upon.

<Q – Chris Allen – Evercore Partners (Securities)>: Got it. And then just on the new initiative spending, which is $50 million to $60 million of the guidance for next year. Can you just remind us in terms of how you think about the pay-off there, the flexibility if the investments are not panning out, to cut back on expenses and maybe the timeline to think about a positive impact to the bottom line?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Well, it's complete flexibility. And what we have set up with our GIFT council is really something hopefully worthy of the top venture capital firms we know in the valley with respect to how we track milestones and how we make fill or kill decisions based upon progress towards those milestones.

So, we certainly would hope that we have the opportunity to spend every one of those dollars because all of the initiatives are progressing and doing well. That tends not to be reality and you saw in 2012, we did under spend on that in that we made the proper decision with respect to IDCG and enter into a mutually-beneficial contract with LCH.

And we also had a couple of other less noteworthy but other initiatives that did not make it through the process. So it's something we look at, but we certainly want to go into the year with the ability to fund everything that's valid, that has the ability to grow the franchise, and I'll just say that in my prepared comments if you recollect that, we had what was $143 million or $134 million, I'm not sure, what it was with respect to revenue in the fourth quarter from initiatives that we've started in the last several years.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Yeah. And let me just add to that Chris, and try to give you some sense on the expected timing of payout and levels of payout. This portfolio of acquisition that has a range of potential investment horizons where we expect them to be profitable and to be generating adequate returns on capital. I would say they tend to bulk towards the shorter timeframe of generally within two years. Some of them are longer, three to five-year investments that we're prepared to make.

But generally, what we're looking to do is to put capital into projects that we can leverage our existing infrastructure and generate a quick and attractive return on, but we are prepared when we think the opportunity is substantial to make investments that require a slightly longer payout. And what I would tell you is that we require, depending upon the project, clear returns that are well in excess of our cost of capital and reflecting the risk of these enterprises.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: And for the record, it was $134 million in revenue.

<Q – Chris Allen – Evercore Partners (Securities)>: Okay. And then just on the Corporate Solutions business, I realize there's a bunch of different businesses within that. How long-term are the contracts or arrangements with customers in terms of thinking about how sticky the business is moving forward?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Well, I would say this. I don't think of the stickiness based upon contracts. They certainly vary in range from short-term to long-term. I look at the stickiness with respect to how integrated is it into the operation of the business that we serve. And as we evaluate these products to build or to buy, that's the key determiner, how sticky is it, how dependent do the companies get on it, get to be reliant on these product and services.

So, as you look across the portfolio of products we have, there obviously is some range to them, but it tend to range towards the clearly sticky part of the equation. And the vast majority of the products are not nice-to-have products, but need-to-have products, and we feel very good about it.

Operator: Thank you, sir. And with that, that does conclude our time for questions. I'd like to turn the program back over to the management for any additional or closing remarks.

Robert Greifeld, President, Chief Executive Officer & Director

I'll just wrap up by repeating very briefly what I said during the call. The fourth quarter was a very strong quarter, 2012 was a very strong quarter. It was against the backdrop of difficult economic times. It clearly has revealed the diversity of our business model and, really within our core, how we have evolved and changed our products over time.

We are pleased with our progress. We're pleased with our strategic positioning, and certainly look forward to continuing to execute upon this plan. We have the team in place on a global basis to allow us to do that. It's a highly motivated, highly professional team and we will continue to deliver to our investors. So, we thank you for your time today.

Operator: Thank you, presenters. Again, ladies and gentlemen, this does conclude today's conference. Thank you for your participation and have a wonderful day. Attendees, you may log off at this time.