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## — PARTICIPANTS

### Corporate Participants

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**John Sweeney** – Vice President of Investor Relations, NASDAQ OMX Group, Inc.

**Robert Greifeld** – Chief Executive Officer and President

**Lee Shavel** – Chief Financial Officer and Executive Vice President, Corporate Strategy

### Other Participants

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**Alex Kramm** – Analyst, UBS Securities LLC

**Niamh Alexander** – Analyst, Keefe, Bruyette & Woods, Inc.

**Richard H. Repetto** – Analyst, Sandler O'Neill & Partners

**Chris J. Allen** – Analyst, Evercore Partners (Securities)

**Howard H. Chen** – Analyst, Credit Suisse Securities (USA) LLC (Broker)

**Michael Roger Carrier** – Analyst, Deutsche Bank Securities, Inc.

**Chris Harris** – Analyst, Wells Fargo Securities LLC

**Daniel T. Fannon** – Analyst, Jefferies & Co., Inc.

**Jillian Miller** – Analyst, BMO Capital Markets (United States)

## — MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the NASDAQ OMX First Quarter 2012 Results. [Operator Instructions] Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, today's conference call is being recorded.

I'd now like to turn the conference over to your host, Mr. John Sweeney, Vice President of Investor Relations. Please go ahead.

### John Sweeney, Vice President of Investor Relations, NASDAQ OMX Group, Inc.

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Thank you, operator, and good morning, everyone, and thanks for joining us today to discuss NASDAQ OMX's First Quarter 2012 Earning Results. Joining me today are Bob Greifeld, our Chief Executive Officer, and Lee Shavel, our Chief Financial Officer. Ed Knight, our General Counsel, joins us as well.

Following our prepared remarks, we'll open up the line to Q&A. You can access the results, the press release and the presentation on NASDAQ OMX's Investor website, [nasdaqomx.com](http://nasdaqomx.com). We intend to use our website as a means of disclosing material non-public information and for complying with disclosure obligations under SEC Regulation FD, and these disclosures will be included under the Events and Presentation section of the site.

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

And with that, I'll turn the call over to Bob.

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**Robert Greifeld, Chief Executive Officer and President**

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Thank you, John. And thank you, everybody, for joining us on this call this morning. I would first like to thank Vince, who has done an excellent job for us in Investor Relations for NASDAQ OMX over the past six years. Vince is assuming increased responsibility in our Market Data Group, where I am sure he will continue his success driving that business. So thank you, Vince.

We're also, obviously, pleased to have John Sweeney join us today. He's our new VP of Investor Relations and I'm sure all of you will enjoy getting to know John.

I'll begin by spending a few minutes highlighting our results and then update you on our plans going forward. Lee will then walk you through the detailed financials.

For the first quarter, our net exchange revenues were \$411 million compared to \$413 million in the prior year, up 1% when you exclude the impact of currency changes. Our non-GAAP EPS was \$0.61, the same level as the prior-year quarter and also equaling our fourth-best performance ever.

This solid performance, considering the weak U.S. trading environment, reflects the benefit of the diverse non-transaction-driven businesses that we've built over the past several years and that now represents over two-thirds of our net exchange revenues. In short, while our combined net cash equity trading and derivatives revenues were down \$15 million from the prior-year quarter due to volumes, revenues from our other businesses were up \$13 million, continuing to grow across the board.

Net exchange revenues in our volume-based trading and clearing businesses of \$127 million declined compared to the prior quarter as a result of the challenging volume environment. In the U.S. derivatives trading clearing, once again we had a leading market share; however, revenues were down \$6 million versus the prior year. Please remember that U.S. equity trading and derivatives revenue increased an impressive 45% year-on-year in the first quarter of 2011, so we faced a very difficult comparison this quarter.

Our European derivatives revenues were flat compared to the prior year, if you do not consider the impact of currency. U.K. energy continues to perform well on both the NASDAQ OMX Commodities and N2EX platforms. Total cleared volumes reached 36 TWh during the first quarter of 2012, an almost fourfold increase compared to the same quarter last year and up 65% compared to the fourth quarter of 2011.

In the U.S. cash equity markets, we continue to experience a low trading environment with only 6.83 billion shares of average daily volume this quarter. This is down from almost 8 billion shares in the first quarter of last year and is the lowest level we've seen in the last 4.5 years. NASDAQ OMX had a 21.3% share of totally U.S. matched volume, up from 19.2% in the first quarter of 2011.

U.S. cash equity revenue capture was lower in the quarter, driven by higher volumes in our ISP volume incentive program. ISP is designed to attract retail and institutional order flows and rewards firms that exceed certain liquidity provision and execution requirements. We are optimizing pricing for the ISP program, so we expect our capture will improve as we move through the second quarter.

Our European cash equity revenues of \$23 million were flat, again, without considering currency, compared to the prior-year quarter. Keep in mind that volumes can be volatile and it only takes one good month to have a reasonable year. We had one good month in 2011 and a good six weeks in

2010. With the continued uncertainty in Europe and around the world, budgetary discussions in the U.S. and the upcoming election, we believe trading volumes have at least some bias to the upside.

Now, looking at our non-trading portfolio of businesses, these revenues accounted for \$284 million in the quarter, more than two-thirds of total revenues and these revenues increased by 5% year-over-year. I think it's important to note that each of these individual businesses, Access Services, Market Data, Broker Services, Issuer Services and Market Technology, all saw positive year-over-year growth in the first quarter of 2012.

Issuer Services were up 1% to \$90 million. Global listing services revenues were down slightly compared to last year, as the number of listed companies continues to decline due to mergers and acquisitions and the weak IPO market we have experienced over the past few years. However, we do see positive signs here and I am happy to say that our current IPO backlog is robust. This quarter, we signed 46 new listings, including 22 initial public offerings.

On the regulatory front, we are encouraged to see that the JOBS Act passed and believe this is a positive sign Congress certainly understands the importance of helping new companies gain access to public financing.

In the first quarter of 2012, we welcomed several switches from other exchanges, including blue chip Texas Instruments and Analog Devices. Texas Instruments begin – began trading on NASDAQ in January. Earlier this week, they also became part of the NASDAQ 100 Index.

We are certainly delighted to welcome Facebook to our family of listed companies. We are proud of our heritage of attracting technology companies and today, over 73% of U.S.-listed technology companies have chosen to list with NASDAQ, with an impressive list of tech companies that includes Apple, Google, Intel, Microsoft and eBay.

Our Corporate Solutions business continues to grow, up 11% from the prior year quarter and particularly, the Directors Desk iPad application continues its success and we have increased from 1,400 users at the end of the first quarter of last year to over 4,300 users today. Directors Desk represents how effectively we've been able to leverage our distribution of an exceptional product to our Issuer Services' clients, in addition to NYSE listed and private companies.

In addition, our recent acquisition of Glide Technology has been well received by our clients looking to upgrade their social media and public relations capabilities. Also in Issuer Services, I like to highlight the continued success of the Global Index Group relations revenue again increased, this time by another \$1 million to \$14 million in the quarter. This is a high margin business where we've had good growth and foresee continued growth.

Most importantly, our new INET-Based index calculator has just gone into production, giving us the ability to continue to innovate and develop new industries and products for both our licensing and proprietary data revenue streams. I think we have the opportunity to be the change agent in this space and we can be competitive in the index market at an attractive price point with a very good margin.

Access Services revenue increased 8% over the first quarter of 2011, due to increased demand. During the quarter, we continued to expand our business to broker dealer relationships around the globe. They are adapting to changing business needs and certainly evolving regulatory environments. Our acquisition of FTEN has substantially expanded our dialog with broker dealers on risk issues and we are excited about the growth opportunities that are available to us in this sector.

In Market Data, our business performed exceptionally well. Despite the weakness in the financial industry and continued low volumes, we saw a growth of 7% year-over-year. The success of our new products and our ability to maximize the value of our existing offerings drove the increase.

In Market Technology, our revenues were up 5% from the prior year. Our order pipeline is solid and we've just signed a significant five-year extension to our contract with the Tokyo Commodity Exchange. In addition, we continue to win deals for our SMARTS Broker compliance business. We launched four new markets with SMARTS Broker solution and we signed 20 new subscriptions.

In addition, China Merchants Securities selected the SMARTS Broker platform to monitor their traders and client trades. We are pleased with the growth of these businesses and we continue to confidently invest in new product and services through our [ph] GIFT (10:57) our initiative – new initiative funding program.

We have a strong pipeline of projects that are in various stages of accomplishment and implementation and we continue to aggressively monitor these projects. We also continue to evaluate bolt-in acquisitions that will fit strategically, allowing us to lever our existing resources and capabilities and meet our accretion and capital return targets.

As we look towards the balance of 2012, there are a few signs the market is improving. Our business is performing and our earnings power in the current environment is testament to our solid execution over the past years.

Nevertheless, if volumes continue to be weak, we will continue to focus on the things that we can control, most importantly, costs. We have introduced a cost reduction program to maintain our commitment to cost leadership. We expect the cost reduction plan to deliver actual cost savings of \$25 million in 2012 and expect to achieve an annualized run rate of cost savings of \$50 million by the end of 2012. And this will be achieved through a combination of technology savings, facility savings, other infrastructure costs and head count. Our cost reduction program ensures that we will have the correct business infrastructure in place should the weak current business trends continue and it positions us well for when our businesses return to its normal growth.

In our press release, we also announced that we have signed a non-binding agreement regarding LCH.Clearnet Group proposed acquisition of IDCG. Upon closing of a transaction, we'll become a shareholder of LCH.Clearnet Group. This shareholding will be a core asset of NASDAQ OMX. This deal will free up capital for us and strengthen our relationship with LCH and their owners. We are strong believers in the horizontal clearing model that LCH represents.

Also today, I'm pleased to announce that we're acquiring the Norwegian-based clearinghouse, NOS Clearing ASA. It is a clearinghouse primarily for freight, seafood derivatives and electricity certificates. This acquisition will allow NASDAQ OMX to move forward with the global ambitions within the energy and commodities area, as a good example of how we can leverage on our technology and confidence.

On a topic of a great interest to many of you, I'm sure you've all noted that we announced today, the declaration of our very first cash dividend of \$0.13 per share. We're very pleased to take this step as a continuing demonstration of our commitment to return capital to shareholders and to optimize our returns on capital. The dividend will be part of our capital return strategy in conjunction with continued share repurchases under our ongoing program. Lee will describe our strategy in greater detail in his remarks. It is important to note, that our capital return strategy is built on a continued strong and stable cash flows, even in this challenging market environment.

On Slide 4, you can see that we have excellent free cash flow over the past five years, increasing our annual free cash flow by a compounded annual growth rate of 50%. This impressive growth

was the direct result of our strategy to invest in new organic growth initiatives, make sound acquisition decisions and manage our capital efficiently.

What's very interesting is back in 2007, was the last time we saw volumes – U.S. equity volumes this low and they were at 6.49 million, back in 2007 with equity volumes at 6.49 billion we achieved \$0.38 a share. Last quarter at 6.8 million, we did \$0.61. Obviously, the execution of our plan has resulted in a diversification of our business and a broadening of our product offering and as you can see, a solid track record of growing our free cash flow.

With that, I'll turn the call over to Lee.

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**Lee Shavel, Chief Financial Officer and Executive Vice President, Corporate Strategy**

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Thanks, Bob. Good morning, everyone. Our GAAP net income for the first quarter of 2012 was \$85 million or \$0.48 per diluted share, compared to \$104 million or \$0.57 per diluted share in the prior year period. Non-GAAP expenses for the quarter, included a \$12 million impairment charge on our equity investment in EMCF, a \$9 million restructuring charge primarily related to workforce reductions and \$2 million for merger and strategic initiatives expense.

Excluding these costs, our non-GAAP net income was \$108 million or \$0.61 per diluted share, essentially consistent with our results of \$110 million or \$0.61 per share in the first quarter of 2011. Reconciliations of 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](http://ir.nasdaqomx.com).

Starting with revenues, net exchange revenues came in at \$411 million, compared to \$413 million in the first quarter of 2011. As Bob described, each of our businesses that are not industry-trading volume driven, including Access Services, Market Data, Broker Services, Issuer Services and Market Tech, achieved revenue growth, increasing in aggregate by \$13 million in the first quarter from the prior year. This increase was offset by weak industry trading volumes, which generated a drop in revenues of \$15 million from our U.S. cash equity and U.S. derivative trading and clearing businesses. This outcome reflects the success of our strategy over the past several years of developing diverse businesses that are not volume-driven and contribute earnings growth.

Looking in greater detail at our trading revenues, which represent less than a third of our total revenues, total net derivative trading and clearing revenues were \$74 million in the first quarter, down \$6 million compared to the first quarter of 2011. The year-over-year decline was the result of 8% lower industry trading volumes in U.S. options and a slightly lower market share in the U.S. derivative market.

Total net cash equity trading revenues were \$53 million in the first quarter of 2012, down \$9 million compared to the first quarter of 2011. The decline was driven primarily by 14% lower industry trading volume in the U.S. and lower U.S. equity trading revenue capture, partially offset by an 11% increase in market share from 19.2% in the first quarter of 2011 to 21.3% in the first quarter of 2012.

Revenue capture was reduced by a higher proportion of volume from our ISP program, designed to reward market participants for higher quality, liquidity and order flow. We don't anticipate further declines in revenue capture in the coming quarters. While it remains early in the second quarter, U.S. option volumes have shown some improvement, but U.S. equity volumes remain weak. So I think it's fair to say, that our current volume trends have continued into the second quarter.

Moving onto our other businesses, which account for over two thirds of our revenues, Issuer Services revenues were \$90 million in the quarter, up \$1 million compared to the first quarter of

2011, as increased Corporate Solutions and higher Global Index Group revenues more than offset lower Global Listing Services revenues.

Total Market Data revenues of \$87 million, reflect a \$6 million or 7% increase compared to the year ago quarter, due to increased tape plan revenues and increased sales of U.S. proprietary Market Data products.

Access Service revenues of \$57 million were up \$4 million or 8% year-over-year, driven by continued growth of fixed protocol and co-location revenues and a positive pricing impact. Market Technology revenues of \$45 million increased \$2 million or 5%, compared to the first quarter of 2011.

Our pipeline of new deals was strong in the quarter and we are forecasting revenues of \$44 million to \$46 million in the second quarter of 2012.

Now turning to expenses. On Slide 9, you can see that our total non-GAAP operating expenses for the first quarter were \$229 million, representing an increase of \$8 million when compared to the first quarter of 2011. The increase was driven by higher professional and contract services for technology and legal services, higher occupancy costs from a build out of our co-location facilities, increased compensation expense and increased marketing and advertising expense.

On Slide 10, you can see that for 2012, factoring in the impact of our cost reduction plan, we now expect core operating expenses to be in the range of \$880 million to \$900 million. Please note, that our updated guidance also includes the impact of a Corporate Solutions revenue reclassification, which reduces expenses by \$10 million and a reduction in 2012 expenses, up \$25 million, resulting from our cost reduction plan. Our target for annualized run rate cost savings to be achieved by the end of 2012, is \$50 million.

This cost guidance does not include the restructuring charge associated with the cost reduction plan, estimated to be \$30 million. Additionally, this cost guidance reflects our current level of revenues. If market conditions improve, we'll adjust our guidance accordingly. We expect to continue to invest in promising new initiatives, which generate growth and good returns on capital, consequently, we continue to expect to spend \$40 million to \$50 million on new initiatives in 2012.

We expect second quarter new initiative spending to be \$5 million to \$10 million higher than the first quarter level of \$6 million, due to project timing. Investing in new initiatives has always provided organic growth opportunities for NASDAQ OMX and has enabled us to provide consistent revenue growth in excess of cost, as illustrated on Slide 12 of our presentation. We continue to track the individual performance and returns on each of these investments and are committed to terminating projects that don't meet our return expectations.

Continuing down the income statement, our non-GAAP operating income in the first quarter of 2012 was \$182 million, down \$10 million over prior year results. Operating margin came in at 44%, down from 46% in the prior year period, reflecting higher expenses as described above and reduced U.S. cash equity trading in U.S. derivatives trading and clearing revenues, that resulted from the lower trading volumes. Now obviously, this also reflects a shift in our business mix from the higher margin transaction businesses to our other businesses.

Net interest expense was \$22 million in the first quarter of 2012, a decrease of \$8 million from the first quarter of 2011, due to refinancing of our credit facility in 2011, the repurchase of \$335 million of the 2.5% convertible notes and continued debt pay downs. Finally, on the income statement, the non-GAAP effective tax rate for the quarter was 33%. We expect the tax rate to be in the range of 32% to 34% in 2012.

Moving onto the balance sheet on Slide 13. With the implementation of our new Nordic clearinghouse clearing structure and member-sponsored default fund at NASDAQ OMX Nordic Clearing, in the first quarter of 2012, we significantly changed the nature and extent of the risk loss in the event of a member default in our clearing operations. Since the full risk of loss will now be shared among clearing members, we no longer report the fair value of derivative positions and the contract value of resale and repurchase agreements in our balance sheet. Consequently, both total assets and total liabilities have dropped by \$5 billion from December 31, 2011.

In addition and as a result of member of capital contributions, NASDAQ OMX released \$83 million in clearing capital, with an additional \$30 million to be released in the second quarter. In terms of capital utilization in the first quarter of 2012, we repurchased 1.9 million shares of our outstanding common stock at an average price of \$26.01 for \$50 million in aggregate value and we reduced debt by \$110 million, enhancing our financial flexibility for the future.

At March 31, 2012, we had cash and cash equivalents of \$525 million and total debt of \$2 billion, resulting in net debt of \$1.5 billion. This compares to net debt of \$1.6 billion at December 31, 2011. Total debt to EBITDA is 2.3 times as of March 31, 2012 and net debt to EBITDA is 1.7 times.

Now on Page 15, I'd like to spend a little time discussing how NASDAQ OMX has grown cash flow and how we have put that to use over the past few years. As you can see on the chart, NASDAQ OMX has generated nearly \$1.7 billion in cash flow from operations over the past three years. Capital expenditures have totaled \$189 million for that period leaving us with \$1.5 billion in free cash flow for the three-year period and we've put that cash flow to good use in three areas primarily.

Capital returned. We've allocated the largest amount of that cash flow to shareholders with repurchases of approximately \$900 million of our outstanding common stock or 41 million shares at an average price of \$21.50 in this time period. These repurchases have collectively reduced our share base by almost 20% in the last two years alone and we think this represents an excellent return of capital to our shareholders.

Secondly, repayment of debt. Over these three years, we have refinanced and restructured our debt with a reduction of almost \$400 million. And finally, acquisitions. In these three years, we have invested over \$225 million acquiring a variety of attractive assets, including FTEN, SMARTS, Glide Technologies, Nord Pool and RapiData. We believe that these bolt-in acquisitions allow us to broaden our existing business and enhance our ability to grow over time.

Now turning to Slide 16, I'm going to outline our current capital deployment strategy.

NASDAQ OMX generates between \$100 million and \$125 million in non-GAAP earnings each quarter. We invest about \$15 million to \$20 million of this in capital expenditures, leaving about \$85 million to \$105 million in available capital. Part of this available capital will be used to fund our cash dividends, about \$23 million a quarter. This reflects the 13% quarterly dividend, equivalent to an approximate 2% yield at the current stock price.

We also plan to use – utilize about \$25 million of this for small and medium-scale M&A and for internal new growth initiatives through our [ph] GIFT (26:08) program. Finally, after the dividend, M&A and growth initiatives, we have approximately \$37 million to \$57 million in deployable capital for a range of uses, including share repurchases, deleveraging, additional M&A opportunities that meet our return hurdles or other corporate uses. Supporting all of these decisions on our capital deployment is a robust return on invested capital discipline.

We continue to see attractive value-creating opportunities for internal investment and acquisitions, but we must be convinced they will deliver an adequate return on capital.

Thank you for your attention and I will now turn it back over to John.

**John Sweeney, Vice President of Investor Relations, NASDAQ OMX Group, Inc.**

Thanks very much. Operator, we'll now take some questions.

**QUESTION AND ANSWER SECTION**

Operator: [Operator Instructions] Our first question comes from Alex Kramm of UBS. Please go ahead.

**<Q – Alex Kramm – UBS Securities LLC>:** Hey. Good morning. Maybe just starting on the dividend real quick, I think go – leading up to it – I think you've sent mixed signals in terms of the size and how you think about dividend. So maybe you can just talk a little bit more about how you arrived at this dividend yield? Or this payout ratio? And maybe a little bit of how you think this can grow over time? And what we should look for in terms of how we should grow the dividend, I guess, over the next few years?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>:** Well, I would say this, Alex. One is: we'd want you to focus on the fact that we have released the – announced the dividend today and we're certainly not going to speak about how it might grow over time. I think Lee did an excellent job taking you through our cash flow in a given quarter and how we think about that. And Lee, why don't you just touch on that again?

**<A – Lee Shavel – NASDAQ OMX Group, Inc.>:** Sure. The thing I would emphasize is that we first establish the dividend with an analysis of our cash flow and making certain of it. Clearly, we have the ability to support this. We also believe that the level that we initiated this at is an attractive yield and comparable to our other exchange competitors, as well as the S&P 500. It's certainly within the range of those other players. But fundamentally, we believe that this is a level that we can support and that we're very pleased to establish this level.

**<Q – Alex Kramm – UBS Securities LLC>:** All right. Then just maybe staying on the capital side, not to get too detailed here, but obviously, I see the deployable capital is \$37 million to \$57 million a quarter, which certainly allows for healthy continued buyback. Maybe I missed this, but with the capital that was just released from the clearinghouse and I think IDCG will probably release another \$75 million or so. Maybe you can refresh us on that? If that transaction goes through, can you just tell us what would you do with that excess capital? I guess buybacks will be the most logical route here?

**<A – Lee Shavel – NASDAQ OMX Group, Inc.>:** Yeah. You're correct. I think we expect that with IDCG, as we've said in the past, that that will release approximately \$75 million in addition to the Nordic clearinghouse. Now, certainly utilization of that capital, if we see opportunities to invest that internally and they're generating – and we're generating what we believe are going to be good returns on that, that will be the first priority, but in the absence of any expectation of an investment opportunity, then we would expect to utilize that for share repurchases going forward, as we've indicated in the past. Where we release capital within the business, if we don't have a good alternative use for that, then we'll be returning that to shareholders.

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>:** Our board has authorized \$300 million share repurchase and it's obviously our intention to carry through on that.

**<Q – Alex Kramm – UBS Securities LLC>:** Okay. And then, just like a very quick one. Section 31 fees in the quarter, I don't think you actually disclose those anymore. Can you just give us a number? And maybe put it back in the release going forward? Thank you.

**<A – Lee Shavel – NASDAQ OMX Group, Inc.>:** I think you'll see this number in the 10-Q. Our Section 31 fees for the first quarter of 2012 were \$71 million in comparison to the first quarter of 2011 of \$73 million. So that disclosure will continue to be in the Q.

**<Q – Alex Kramm – UBS Securities LLC>:** Okay. Very good. Thank you.

Operator: Our next question comes from Niamh Alexander of KBW. Please go ahead.

**<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>**: Hi. Good morning. Thanks for taking my questions and congrats on getting the dividend out there.

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: Thank you.

**<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>**: You're welcome. Can I touch on the options business, because that is the biggest of your transaction businesses and we've seen some competitors get pretty aggressive with price reductions effort. I think you'd made some changes in March. Help me think about the pricing going forward, because your pricing's held up really well relative to what we might have expected? Should we – and you'd mentioned in equities, you don't expect it to come down this quarter, but help me think about options?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: Well, one, with options and we covered it a little bit on the last quarter. But I think the team has executed very well. You saw some increase in share quarter-on-quarter and we have a number of different plans in place, and I think our ability to maintain our capture rate is pretty strong.

**<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>**: Okay. So we shouldn't necessarily expect you to follow with pretty significant price cuts?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: No. I think we have more clever ways to approach it. The other thing I would say is, with respect to the ISP program in the equity world, it certainly was more successful than we anticipated in the first quarter, which has obviously some good elements to it. It's certainly improved, I think, the attractiveness of our venue, but we will be tweaking the pricing on that program and some other things in May, which we are very confident will have a positive impact on our capture rate.

**<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>**: Okay. That's helpful. Thanks, Bob. And then, if I could go back to the capital – and thank you for the disclosure and for laying out the flexibility you have with the buybacks and the deals. Philosophically, do – are you more inclined to, long term, look towards growing a dividend? Like you're giving yourself this level to want to grow the dividend in the future versus laying it out there and think this is the level we're at and we need all that other flexibility? Is the level of debt somehow limiting the dividend right now?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: No. Niamh, one, is I would say that we have announced the dividend, we've thought about it for a long period of time, and when you sort the dividend program it's easy, but you have to think about it in the context of your future. So I think it's well thought out at the board level, at the management level and I think the way Lee described the quarter, how we break down our cash flow in the quarter, to the extent that those numbers increase as a business is successful over time, I think you could draw your rational conclusions from there. So certainly, as we achieve greater financial success, we would certainly look to the allocation of that additional capital in, I'd say, a fair way.

**<A – Lee Shavel – NASDAQ OMX Group, Inc.>**: And I would just add one thing to that, Niamh. I would – I know everyone naturally is focused on the dividend today, but I want to make certain that everyone understands that it's merely part of our broader capital return strategy and that our plan to continue share repurchases as a component of that as we allocate what we think is a pretty substantial amount of our excess capital generated back to shareholders through both channels, is important to understand beyond just the specific dividend.

**<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>**: Okay. That's helpful. Thanks. I'll get back in line.

Operator: Our next question comes from Rich Repetto of Sandler O'Neill. Please go ahead.

**<Q – Richard Repetto – Sandler O'Neill & Partners>**: Yeah. Good morning. First question is on the \$50 million in cost reductions and \$25 million realized this year. Can you help us with what areas that will come out of? Is there any revenue impact to that as well?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: No. First point, no revenue impact to us. We're certainly just doing a bottoms-up analysis of how we can become more efficient. As we've said through the years, the quest for efficiency really never ends. We're putting a little more emphasis on it now based upon our given set of circumstances. But each and every area of our expense base will be subject to greater efficiency. So it's hard to focus on any one. I highlighted three or four in my prepared comments. But Rich, we're not going to leave a stone unturned, is what I would say.

**<Q – Richard Repetto – Sandler O'Neill & Partners>**: Okay. And then, on market technology and this is on Slide 8 specifically. I see the pipeline grew nicely, but if you look at the total order value and how it's – you put in how it's bucketed per year, it looks like it got pushed out where more value is in the later years, actually 2012 down a bit. Is that – will that impact the actual Market Technology revenues in 2012?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: No. 2012 is shaping up to be a very good year for Market Tech. It hit the wires today that we've just signed a deal with Nigeria and the Swiss exchange also just went live with our new platform. So they're enjoying some strong trend lines and I think over the long term, Rich, we certainly expect to have Market Tech continue to grow through some of our broker-based offerings, meaning basically SMARTS and FTEN and the extension of products we're going to build from those acquisitions.

**<A – Lee Shavel – NASDAQ OMX Group, Inc.>**: And Rich, I would also just point out that the increase – that the \$114 million in 2012 is an increase from the prior quarter, so obviously, we're expecting continued growth in 2012.

**<Q – Richard Repetto – Sandler O'Neill & Partners>**: I had – well, from the last earnings pres, I had \$141 million in 2012, but it could be my error. Anyway, last question on LCH.Clearnet. So this – I know we talked. You were looking for some resolution last quarter. Can you give us a feel for the timeframe? Because even the timeframe of where this capital might come into play and be freed up, because the transaction is still not fully consummated?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: Yeah. No. It's definitely not fully consummated. I think conservatively you would see us be able to free up the capital probably early in the third quarter, in early summer.

**<Q – Richard Repetto – Sandler O'Neill & Partners>**: Okay. Thank you.

Operator: Our next question comes from Chris Allen of Evercore Partners. Please go ahead.

**<Q – Chris Allen – Evercore Partners (Securities)>**: Morning, guys.

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: How are you doing, Chris?

**<Q – Chris Allen – Evercore Partners (Securities)>**: Good. A couple of questions. First, on the expense savings plan, the \$25 million in 2012, was anything in the first quarter run rate? And is any potential savings from IDCG baked into the expense savings plan?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: The answer is, I think, no on both counts.

<Q – Chris Allen – Evercore Partners (Securities)>: Okay. And then, I'm not sure if I missed it. Did you guys provide a breakdown of the European derivative business by asset class?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: No. Not by asset class.

<A – John Sweeney – NASDAQ OMX Group, Inc.>: We'll follow-up with you on that after the call.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah.

<Q – Chris Allen – Evercore Partners (Securities)>: Sounds good. That's it for me, actually. Thanks.

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

Operator: Our next question comes from Howard Chen of Credit Suisse. Please go ahead.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Hi. Good morning, Bob. Good morning, Lee.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: How we doing?

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Good. How are you?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: I think well.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Okay. Congrats on the dividend and the share repurchase. Bob, can you just elaborate on what you mean when you say, LCH is a core asset? And what your long-term aspirations for that asset going forward will be?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Well, I meant that we'll be a shareholder and we don't have intentions, obviously, to sell the shares, by that statement. And in my prepared comments I talked about support for the horizontal clearing models, so we think there's opportunities to work with LCH to lever that approach into different asset classes.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks. And then, Lee, on last quarter's call, you noted some of the \$40 million to \$50 million of new investment spending wasn't earmarked yet and you were going through that process. Could you just give an update of where that is and where some of that has been allocated to?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Sure. I can't, Howard, mention specific projects, but there were clearly – we were identifying a targeted level for 2012 that anticipated a pipeline of projects that were being presented to us internally. And I think since that last call, there have been probably two projects, two additional projects that we've reviewed that probably account for \$3 million to \$5 million in incremental expense. And as I pointed out in my comments, you'll see an increase in the new initiatives spending in the second quarter of \$5 million to \$10 million, up from the first quarter level and that reflects both some additional projects, as well as a phasing in of projects that had previously been improved, but you simply had increasing investment requirements as we build them out here.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks. And then, just final one for me. On the technology business, Bob, in a weaker volume environment, does that necessarily – like does that accelerate or delay conversations that, for with other exchanges to outsource or seek technology solutions?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: I would say the exchange business – exchange market technology business is relatively immune to short-term volume trends in the marketplace. You could see it at the spot level with respect to what we call CRs, customer request, because obviously that's of the moment. But we have not seen that at this point in time and the technology business is going very strong. As I said, the Nigerian deal was just – went public today. We have another major signing that we can't announce yet, but that's coming. We had TOCOM last quarter and then obviously, the Swiss exchange went live. So we're doing quite well.

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

Operator: Our next question comes from Michael Carrier of Deutsche Bank. Please go ahead.

**<Q – Michael Carrier – Deutsche Bank Securities, Inc.>**: Thanks, guys. Maybe one question on the expenses and the color is helpful, but when you look at your cost structure and you look at the percent that's variable, where does that stand now? And just if we continue to be in a weak environment or if it even gets weaker, you just want to gauge what portion of the cost structure or the expense base is – you have the ability to reduce versus the fixed side?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: Well, that's, I think, a timeframe-dependent question. So we operate on the concept that all fixed costs are variable over time. So we can make some medium-range plans that can take the cost basis down quite dramatically. I think your question is in the short term, what can you do? And certainly, the number that we put out there, the \$50 million, I think, is a very reasonable and achievable target for us. And I would take that as the way to look at the cost basis in the short term.

To the extent the volumes were going to be 5 billion shares for a long period of time and basically a similar decline in Europe, then, we can take other changes, other steps. It would just take longer to implement.

**<Q – Michael Carrier – Deutsche Bank Securities, Inc.>**: Okay. That's helpful. And then, just one other one on the capital side. So in that excess capital that you have each quarter, you have multiple options in terms of what to do with that. But just give us an update on the target capital structure? Just so when we look at what debt's coming due over the next one year, two years, you at least have an idea on, if you're going to be paying that down versus if you're comfortable where the debt level is and so most of the priorities are going to be geared toward either M&A investments, buybacks or the dividend over time?

**<A – Lee Shavel – NASDAQ OMX Group, Inc.>**: Sure. We're very comfortable with where we are from a debt standpoint with the total leverage at 2.3 times. And I would say that we're prioritizing the capital generated towards the – as we said before, the high – where we think we can generate the highest returns. If those returns are in the business or through mergers and acquisitions, that's going to be the top priority. Secondly, in the absence of that, share repurchases would be the next alternative. And I don't think we have any defined plans to reduce our debt levels from this point. From a debt maturity standpoint, we'd continue to – it'd be very comfortable, given that we refinanced our debt in the third – in the fourth quarters with some of the changes that we've made. We don't have any significant near-term maturities. Our next significant maturity is for our convertible notes in 2013 of \$89 million. Beyond that, it's really just our \$400 million maturity in 2015. So we are not anticipating any near-term pressure to refinance any of those maturities.

**<Q – Michael Carrier – Deutsche Bank Securities, Inc.>**: Okay. That's helpful. And Bob, just on the volume environment, so I think we all look around and try to figure out, if this is the new norm or – a variety of issues out there that are weighing on activity levels. So just, any insight that you have? And then, probably more importantly, just given the percent that's off exchange more

recently and part of that's due to the volatility, but anything there that can bring more, not only back to NASDAQ, but to New York, to the competitors, but just more in the lit markets?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: Yes. Two very good questions. One, with respect to the macro view of volume. We obviously try to find the one data point which will point the way to us and that's obviously not available, but we do study, as I think we covered previously, the net inflows into the loan-only funds and certainly, that has been in a downward trend line for multiple years. And to the extent that, that reverses then, it will have a positive impact on the overall volume. And we certainly, keenly recognize that when you have natural flow in the market that it has a dramatic ripple effect on the volume. It just is somewhat of a feeding frenzy. So we watch that very closely.

And then, stepping back from that, we pay attention to consumer confidence as a clear correlation between consumer confidence and inflows into the equity marketplace. So if I had to give you two data points that was – those would be them. Neither one of them are particularly positive at this point in time and we deal with the reality.

Now in terms of volume, you have short-term spikes based upon volatility, which we've seen in the last two years and so that tends not to be sustainable over time. So the first two factors I identify can give you a sustainable volume environment, the volatility tends to be episodic. We tend to enjoy those episodes. So we certainly can't plan for, but hope for something like that happens somewhere in 2012 and I think it's a reasonable assumption.

With respect to increasing darkness in the market, one, is it's important to recognize we think there's a proper role for dark bulls in the market. We understand that lit markets can't do everything all the time for everybody. But we also understand that lit markets are the place for price formation and to the extent that there's going to be dark trading, it should deliver some incremental value to the markets, since it's not contributing to the common good of price discovery. And the two metrics we look towards, is basically size and price, would be a proper delineation to that. So we think lit markets are good overall. We're certainly clear defenders of lit markets and we have common cause with the other exchanges in that.

**<A – Lee Shavel – NASDAQ OMX Group, Inc.>**: Bob, before we move to the next question, I wanted to come back and clarify an answer that we gave to Rich Repetto regarding the backlog. Rich, the – our previous report in the fourth quarter of 2011 for the order backlog of \$141 million, that includes 12 months of 2012. The drop to \$114 million is because that reflects only nine months of the year. So it's not a full year to full year comparison. We continue to believe that the increases in the order backlog are positive for 2012 as we indicated.

**<A – John Sweeney – NASDAQ OMX Group, Inc.>**: We'll take the next question now please, operator?

Operator: Our next question comes from Chris Harris of Wells Fargo Securities. Please go ahead.

**<Q – Chris Harris – Wells Fargo Securities LLC>**: Thanks. Good morning, guys.

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

**<Q – Chris Harris – Wells Fargo Securities LLC>**: Hey. Okay. So a question on expenses here. I just want to maybe reconcile a few things that we've been talking about. So it sounded like in the prepared commentary that the expenses may come back up, assuming a better environment. And I'm just curious, if there's really no revenue impact from these cost reductions, why aren't they permanent? Why they are variable in nature? I'm wondering if you could help me out with that?

**<A – Lee Shavel – NASDAQ OMX Group, Inc.>**: Well, first of all, the comment that we made on the expense guidance is that we are bringing our expense guidance for 2012 down, obviously driven by the expected reductions that we will achieve in 2012. And it also reflects our current expectations for where we are from a revenue standpoint, assuming that there's no change in revenues. Now obviously, to the extent that the market environment improves and revenues increase, then, we do have a variable component to our expense levels that may increase.

And so we're merely making the point that if the market conditions change, then, we'll adjust guidance accordingly. But make no mistake, we are looking at our current cost infrastructure. We are making very specific reductions in our infrastructure to achieve these hard dollar levels of cost savings that we will – it will certainly be difficult to move back up. But there are components in our expense structure that are more variables, specifically, incentive compensation tied to our performance, that will increase in an improving market environment.

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: But I do want to make clear that when we speak to the \$50 million, that's a permanent reduction, that is us doing more with less of an expense base.

**<Q – Chris Harris – Wells Fargo Securities LLC>**: Okay. No. Thank you for clarification on that. And then, a second question here on the listings business. Congrats on the Facebook IPO, that's obviously a great win for you guys. But it seemed like NYSE's also had some recent successes in technology and even though it's really only two competitors out there, it seems like the competition for new listings is pretty intense. Have you guys seen any pricing pressure as a result of you and NYSE going at it here on the tech IPOs? Or has that been really not the primary driver of competitive advantage?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: Well, I would say that the competition has been intense for a long period of time. I think it's been intense since the day I walked in here back in 2003 and I do remember the Google bakeoff was equally intense. But that being said, we've had tremendous success in the technology franchise and our ability to have companies switch to NASDAQ in the technology space is unparalleled. So we had Texas Instruments, as I said, they're just joining the NASDAQ 100 and ADI. So Texas Instrument, I think, was \$35 billion and ADI was \$11 billion. So it's as intense as it has ever been. We expect it to continue to be. And with respect to pricing, as I think people know, our top rate is just under \$100,000 and theirs is at \$500,000. So we are certainly not feeling any pricing pressure to reduce that.

**<Q – Chris Harris – Wells Fargo Securities LLC>**: Okay. And then, with the problem that BATS had, obviously, they're going to be out of the listings business at least for a while. Is the technical glitch they had, is that unique to BATS? Or is that something that could potentially happen to NASDAQ? And what can you guys do to make sure that that really doesn't happen on your system?

**<A – Robert Greifeld – NASDAQ OMX Group, Inc.>**: Yeah. Well, I will say that BATS never really got started in the listing business and it's hard to build that franchise. And we certainly have direct experience with what BATS had to accomplish. When we did the Brut and INET acquisitions and we had to take SuperMontage and those two platforms and put it together. We chose INET and the big gap from functionality is that SuperMontage, as a listing venue, always had the ability to run an auction to open and close the market. And INET did not have that and our team had to build it, they obviously built it successfully and knock wood, we've gone forward from there.

We are technology-based businesses, we have to engineer our technologies as best as we can, but certainly, we're sympathetic to what BATS went through. We recognize that the business is hard and we certainly have excelled at it. We have a wonderful team and certainly, our experience over the last nine years shows you how good that team is. But we're not over confident, we

recognize that – we've got engineer and be very capital about how you release product in the marketplace.

<Q – Chris Harris – Wells Fargo Securities LLC>: All right. Thank you, guys.

Operator: Our next question comes from Dan Fannon of Jefferies. Please go ahead.

<Q – Daniel Fannon – Jefferies & Co., Inc.>: Good morning. Can you refresh us on the current P&L impact of IDCG, assuming today then, if we – so we can model post if the transaction does close?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: So as I've said before, IDCG basically was around \$0.01 per quarter, use that as a round number. So after that closes, we'd have that positive impact.

<Q – Daniel Fannon – Jefferies & Co., Inc.>: Okay. And then, just to clarify an earlier comment about the capital coming out of the Nordic clearinghouse. Is that something that will be then moved back to the U.S. for the potential capital allocation that you guys have outlined? Or is that something will stay over in Europe?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: At this point, our expectation is that that will stay in Europe. Obviously, there are repatriation costs that are imposed if we bring that back to the U.S. We are, on a regular basis, able to bring some amount of capital, but our current expectations are that that amount will remain in Europe.

<Q – Daniel Fannon – Jefferies & Co., Inc.>: Is there specific projects or potential M&A opportunities that are being outlined or that you have as a backlog for that capital? Or would that just be used over time?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: We do expect that that capital will be utilized in a variety of internal and potential acquisition projects within Europe on a small scale.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: And it's interesting, our last two acquisitions have been in Europe, NOS that we announced today and Glide, earlier in the year.

<Q – Daniel Fannon – Jefferies & Co., Inc.>: Okay. Thank you.

Operator: Our next question comes from Jillian Miller of BMO Capital Markets. Please go ahead.

<Q – Jillian Miller – BMO Capital Markets (United States)>: Thanks, guys. Now that the member default fund in the Nordics has been completed, be similar to what you said in the past, that it sets the stage for you to make progress on your plan to become more of a Pan-European clearinghouse. So I just wanted to get an update on that? What the next step is in that plan? And what road marks we should be looking to?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah. That's a great question. So when you look at the Nordic clearinghouse, this was the last step to make it, I think, operating subject to European norms and really the norms that all clearinghouses on a global basis. And when you see what's transpiring in the derivatives world, in particular the over-the-counter world, we have a version of that, that is transpiring in the Nordics and now we're ideally positioned to take advantage of that, where that being in repos or interest swaps centered around our Nordic-based currency. So I would say that's the short-term thing, we've been investing in that for the last year or so and I think we're in a very good position to monetize that as we get to the end of 2012 going to 2013.

<Q – Jillian Miller – BMO Capital Markets (United States)>: Okay. Thanks. And then, I saw that you announced plans to launch a third options exchange. I just wanted to see if you have any thoughts on what you're angle's going to be there, just in terms of pricing or market structure to differentiate it?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Well, the first thing I'd say, is when you look at our initiatives, the ones that have the greatest certainty with respect to providing a somewhat immediate return and increased probability, is the use of additional licenses here. So we obviously have two very successful options markets today and within BX, you've seen what we've done in the equity side and that's been more of a pricing play. So I think you'll see a combination of efforts, both pricing and market structure, in these options and we're highly confident it's going to have a similar success as our other use of licenses has had.

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

Operator: I would now like to turn the conference back over to Mr. Bob Greifeld for any closing remarks.

### Robert Greifeld, Chief Executive Officer and President

All right. Great. Thank you. The one thing I do want to say with respect to the acquisition we announced today, it will be immediately accretive to our shareholders. As you look at the details of the acquisition, the purchase price was somewhat less than the cash on the balance sheet. So combining that with our existing energy and commodities franchise, will provide a quick and substantial return to our shareholders. So we feel good about that.

And then, I'll just close on the comment again, that we have been on the long march to diversify these businesses while making sure we focus on our core. This has been, I think, most evidenced in this quarter, \$0.61 is our fourth best performance ever and we did that against a very low volume environment. The last time we saw a volume environment like this, we made \$0.38, so clearly a testament to the team here in terms of the work they've done over the years. And that work has also resulted in tremendous cash flow generation, which Lee touched on quite well. That cash flow generation allows us to confidently announce this dividend today and also, to reaffirm our commitment to the share buyback program.

So NASDAQ OMX is in great financial shape, strategically positioned and we certainly look forward to the quarters to come. So thank you.

Operator: Ladies and gentlemen, this does conclude today's conference. You may all disconnect and have a wonderful day.

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