NASDAQ OMX GROUP, INC.
Form 10-K
February 24, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 000-32651

The NASDAQ OMX Group, Inc.

(Exact name of registrant as specified in its charter)

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

Registrant s telephone number, including area code:

+1 212 401 8700

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

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

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

None

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

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

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

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

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

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

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

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

As of June 30, 2011, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was approximately $3.2 billion (this amount represents approximately 128.1 million shares of The NASDAQ OMX Group, Inc. s common stock based on the last reported sales price of $25.30 of the common stock on The NASDAQ Stock Market on such date).

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

Class	**Outstanding at February 10, 2012**
Common Stock, $.01 par value per share	173,386,138 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Parts Into Which Incorporated**
Certain portions of the Definitive Proxy Statement for the 2012 Annual Meeting of Stockholders	Part III

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About This Form 10-K

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

Throughout this Form 10-K, unless otherwise specified:

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

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

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

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

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

NASDAQ OMX Nordic refers to collectively, NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen, NASDAQ OMX Helsinki and NASDAQ OMX Iceland.

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

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

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

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

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

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

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This Form 10-K includes market share and industry data that we obtained from industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys generally state that the information they contain has been obtained from sources believed to be reliable, but we

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cannot assure you that this information is accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most currently available market data. For market comparison purposes, The NASDAQ Stock Market data in this Form 10-K for initial public offerings, or IPOs, is based on data generated internally by us, which includes best efforts underwritings and closed-end funds; therefore, the data may not be comparable to other publicly-available IPO data. Data in this Form 10-K for new listings of equity securities on The NASDAQ Stock Market is based on data generated internally by us, which includes best efforts underwritings, issuers that switched from other listing venues, closed-end funds and exchange traded funds, or ETFs. Data in this Form 10-K for IPOs and new listings of equities securities on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic also is based on data generated internally by us. IPOs and new listings data is presented as of period end. While we are not aware of any misstatements regarding industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in Item 1A. Risk Factors in this Form 10-K.

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Forward-Looking Statements

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

- *our 2012 outlook;*
- *the scope, nature or impact of acquisitions, dispositions, investments or other transactional activities;*
- *the integration of acquired businesses, including accounting decisions relating thereto;*
- *the effective dates for, and expected benefits of, ongoing initiatives;*
- *the impact of pricing changes;*
- *tax matters;*
- *the cost and availability of liquidity; and*
- *the outcome of any litigation and/or government investigation to which we are a party and other contingencies.*

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

- *our operating results may be lower than expected;*
- *loss of significant trading and clearing volume, market share or listed companies;*
- *economic, political and market conditions and fluctuations, including interest rate and foreign currency risk, inherent in U.S. and international operations;*
- *government and industry regulation;*

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

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

adverse changes that may occur in the securities markets generally.

Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the uncertainty and any risk related to forward-looking statements that we make. These risk factors are more fully described under the caption Item 1A. Risk Factors, in this Form 10-K. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. You should carefully read this entire Form 10-K, including Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and the related notes. Except as required by the federal securities laws, we undertake no obligation to update any forward-looking statement, release publicly any revisions to any forward-looking statements or report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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Part I

Item 1. Business

Overview

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

In the U.S., we operate The NASDAQ Stock Market, a registered national securities exchange. The NASDAQ Stock Market is the largest single cash equities securities market in the U.S. in terms of listed companies and in the world in terms of share value traded. As of December 31, 2011, The NASDAQ Stock Market was home to 2,680 listed companies with a combined market capitalization of approximately $4.4 trillion. In addition, in the U.S. we operate two additional cash equities trading markets, two options markets, a futures market and a derivatives clearinghouse. We also engage in riskless principal trading of over-the-counter, or OTC, power and gas contracts.

In Europe, we operate exchanges in Stockholm (Sweden), Copenhagen (Denmark), Helsinki (Finland), and Iceland as NASDAQ OMX Nordic, and exchanges in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania) as NASDAQ OMX Baltic. Collectively, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic offer trading in cash equities, bonds, structured products and ETFs, as well as trading and clearing of derivatives and clearing of resale and repurchase agreements. Through NASDAQ OMX First North, our Nordic and Baltic operations also offer alternative marketplaces for smaller companies. As of December 31, 2011, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, together with NASDAQ OMX First North, were home to 776 listed companies with a combined market capitalization of approximately $0.9 trillion. We also operate NASDAQ OMX Armenia.

In addition, NASDAQ OMX Commodities operates the world s largest power derivatives exchange, one of Europe s largest carbon exchanges and together with Nord Pool Spot, N2EX, a marketplace for physical U.K. power contracts.

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

History and Structure

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

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

On February 27, 2008, Nasdaq and OMX AB combined their businesses pursuant to an agreement with Borse Dubai Limited, a Dubai company, or Borse Dubai, and Nasdaq was renamed The NASDAQ OMX Group, Inc. This transformational combination resulted in the expansion of our business from a U.S.-based exchange operator to a global exchange company offering technology that powers more than 70 exchanges, clearing organizations and central securities depositories in more than 50 countries. Our Genium INET technology platforms, based on proven INET technology that we originally acquired in the acquisition of INET ECN in 2005, provides technology to customers with the speed, scale and reliability required to meet the specific needs of their markets.

Also in 2008, we expanded our U.S. Market Services business through the acquisitions of the Philadelphia Stock Exchange, Inc., or PHLX, and the Boston Stock Exchange, Incorporated, or BSX. The acquisition of PHLX, renamed NASDAQ OMX PHLX LLC, expanded our presence in the derivatives markets, and we currently operate two separate options markets, NASDAQ OMX PHLX and The NASDAQ Options Market. We used the BSX license to create a second U.S. cash equities market, called NASDAQ OMX BX, which was launched in January 2009 and in 2010, we launched a third U.S. cash equities market utilizing the PHLX license called NASDAQ OMX PSX. Most recently, we expanded our Market Services offerings with the acquisition in 2010 of FTEN, Inc., or FTEN, a leading provider of Real-Time Risk Management, or RTRM, solutions for the financial securities market.

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

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

In recent years, we have expanded our Corporate Solutions business within our Issuer Services segment, which provides customer support services, products and programs to companies, including companies listed on our exchanges. Most recently, in December 2010, we acquired Zoomvision Mamato, or ZVM, a company that provides live webcasting services primarily for investor relations professionals and, in October 2011, we acquired Glide Technologies Limited, or Glide Technologies, a London-based service provider specializing in corporate communications and reputation management solutions.

Competitive Strengths

Premier global exchange company. We are a premier global exchange company that operates the largest cash equities market in terms of share value traded in the world. For the year ended December 31, 2011, our exchanges had an average daily trading volume of 8.4 million trades in cash equities, representing a value of approximately $15.4 trillion. In addition, across our markets, we had 3,456 listings representing over 40 countries as of December 31, 2011, including many of the world s largest companies. Our wholly-owned subsidiary The NASDAQ Stock Market continues to be the single largest liquidity pool for trading cash equities in the U.S.

Leader in global exchange technology. We believe we are the leader in global exchange technology. As the world s first electronic stock market, we pioneered electronic trading and have continued to innovate over the last 40 years. Our INET platform processes trades at sub-millisecond transaction speeds with close to 100% system reliability. In addition, our platforms are highly scalable with current capacity at ten times the average daily volume allowing significantly higher transaction volume to be handled at low incremental cost. Furthermore, we were the first exchange to offer electronic trading and integrated derivatives trading and clearing to other exchanges and today have a global technology customer base of more than 70 marketplaces in

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over 50 countries worldwide, including China (Hong Kong), Japan, Singapore, Australia and the U.S. Our Genium INET offering, based on proven INET technology, provides technology customers with the speed, scale and reliability required to meet the specific needs of their markets. We believe that we will continue to provide leading technology for the world s competitive and demanding capital markets, which increasingly require that exchanges be able to constantly secure the best price for investors and issuers, a natural strength of our technology and electronic trading platforms.

Diversified operations and products. We have a diversified business, both in terms of geography and product offerings. In addition, our recent acquisitions, investments and strategic initiatives have significantly diversified our product offerings, particularly in the derivatives trading and clearing, commodities, corporate solutions and surveillance technology businesses.

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

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

Products and Services

We operate in three segments: Market Services, Issuer Services and Market Technology. Of our 2011 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,690 million, 67.4% was from our Market Services segment, 21.8% was from our Issuer Services segment and 10.8% was from our Market Technology segment. Of our 2010 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,522 million, 67.3% was from our Market Services segment, 22.6% was from our Issuer Services segment, 10.0% was from our Market Technology segment and 0.1% related to other revenues. Of our 2009 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,453 million, 67.2% was from our Market Services segment, 22.7% was from our Issuer Services segment, 10.0% was from our Market Technology segment and 0.1% related to other revenues.

See Note 18, Business Segments, to the consolidated financial statements for additional financial information about our segments and geographic data.

Market Services

Our Market Services segment includes our U.S. and European Transaction Services businesses, which include Access Services, as well as our Market Data and Broker Services businesses. We offer trading on multiple exchanges and facilities across several asset classes, including cash equities, derivatives, debt, commodities, structured products and ETFs. In addition, in some of the countries where we operate exchanges, we also provide clearing, settlement and depository services.

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U.S. Transaction Services

In the U.S., we offer trading in cash equity securities, derivatives and ETFs on The NASDAQ Stock Market, The NASDAQ Options Market, NASDAQ OMX PHLX, NASDAQ OMX BX, NASDAQ OMX PSX and NASDAQ OMX Futures Exchange, or NFX, and engage in riskless principal trading of OTC power and gas contracts through NOCC. Our transaction-based platforms in the U.S. provide market participants with the ability to access, process, display and integrate orders and quotes for cash equity securities, derivatives and ETFs. The platforms allow the routing and execution of buy and sell orders as well as the reporting of transactions for cash equity securities, derivatives and ETFs, providing fee-based revenues.

Cash Equities Trading. The NASDAQ Stock Market is the largest single pool of liquidity for trading U.S.-listed cash equities, matching an average of approximately 18.1% of all U.S. cash equities volume for 2011.

We also operate two additional U.S. cash equities markets, called NASDAQ OMX BX and NASDAQ OMX PSX. With these markets, we offer a second and third quote within the U.S. cash equities marketplace, providing our customers enhanced trading choices and price flexibility. As with The NASDAQ Stock Market, NASDAQ OMX BX and NASDAQ OMX PSX are run on our INET trading system, providing customers additional fast and efficient cash equity securities markets using familiar technology. In accessing these markets, our customers can leverage existing infrastructure, reducing incremental costs when connecting. NASDAQ OMX PSX is the first and only cash equities exchange that operates a pro rata price/size priority model, in contrast to a price/time priority model. In other words, members can get to the front of the queue by virtue of their relative size in the NASDAQ OMX PSX market as opposed to being the fastest to the market. In doing so, NASDAQ OMX PSX emphasizes size over speed, providing additional flexibility to our customers in choosing the best model for their orders. In 2011, NASDAQ OMX BX matched an average of approximately 2.1% and NASDAQ OMX PSX matched an average of approximately 1.0% of all U.S. cash equities volume.

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

- provide a comprehensive display of the interest by market participants at the highest price a participant is willing to buy a security (best bid) and also the lowest price a participant is willing to sell that security (best offer);

- provide subscribers quotes, orders and total anonymous interest at every price level for exchange-listed securities and critical data for the Opening Cross, Closing Cross, Halt Cross and IPO Cross; and

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

Trade Reporting. All U.S. registered national securities exchanges and securities associations are required to establish a transaction reporting plan for the central collection of price and volume information concerning trades executed in those markets. Trades executed on The NASDAQ Stock Market, NASDAQ OMX BX and NASDAQ OMX PSX are automatically reported under the appropriate transaction reporting plan. Currently, market participants are not charged for the reporting of most of these trades. The NASDAQ Stock Market, NASDAQ OMX BX and NASDAQ OMX PSX, however, earn revenues for all of these trades in the form of shared market information revenues under the Unlisted

Trading Privileges Plan, or the UTP Plan, for NASDAQ-listed securities and under the Consolidated Tape and Consolidated Quotation Plans for securities listed on the New York Stock Exchange, or NYSE, NYSE Amex and other exchanges.

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

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

U.S. Derivative Trading and Clearing. In the U.S., we operate The NASDAQ Options Market and NASDAQ OMX PHLX for the trading of equity options, ETF options, index options and foreign currency options. As of December 31, 2011, NASDAQ OMX PHLX, which operates a hybrid electronic and floor-based market, was the largest options market in the U.S. During the year ended December 31, 2011, NASDAQ OMX PHLX and The NASDAQ Options Market had an average combined market share of approximately 27.7% in the U.S. equity options market, consisting of approximately 23.1% at NASDAQ OMX PHLX and approximately 4.6% at The NASDAQ Options Market. Together, the combined market share of 27.7% represented the largest share of the U.S. equity options market and ETF options market. Our options trading platforms provide trading opportunities to both retail investors and algorithmic (high-frequency) trading firms, who tend to prefer electronic trading, and institutional investors, who typically pursue more complex trading strategies and often prefer to trade on the floor.

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

Through International Derivatives Clearinghouse, or IDCH, a division of our majority-owned subsidiary International Derivatives Clearing Group, or IDCG, we bring a centrally-cleared solution to the largest segment of the OTC derivatives marketplace, specifically interest rate derivatives. IDCH acts as the central counterparty, or CCP, for clearing interest rate swap products, which are also regulated by the CFTC. IDCH utilizes NASDAQ OMX matching, risk, and clearing technology to clear and settle interest rate derivative products.

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

European Transaction Services

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

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

NASDAQ OMX s trading offering also includes cash equities listed in Norway and Norwegian derivatives products. The offering is designed to provide lower trading costs and other benefits for customers seeking to trade all Nordic cash equity products on one platform. NASDAQ OMX has been the second largest market for trading in Norwegian stocks since 2009.

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

In September 2010, NASDAQ OMX launched a clearing service for the resale and repurchase agreement market. As a result of an agreement between the Swedish Money Market Council and NASDAQ OMX, a large portion of the Swedish Interbank resale and repurchase agreement market is cleared through NASDAQ OMX Stockholm.

Baltics. NASDAQ OMX Baltic operations comprise the exchanges in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania). As of December 31, 2011, NASDAQ OMX owns NASDAQ OMX Tallinn and has a majority ownership in NASDAQ OMX Vilnius and NASDAQ OMX Riga. In addition, NASDAQ OMX Tallinn owns the central securities depository in Estonia, NASDAQ OMX Riga owns the central securities depository in Latvia, and NASDAQ OMX Helsinki and NASDAQ OMX Vilnius jointly own the central securities depository in Lithuania.

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

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

NASDAQ OMX Commodities has 390 members across a wide range of energy producers and consumers, as well as financial institutions. NASDAQ OMX Commodities offering is designed for banks, brokers, hedge funds and other financial institutions, as well as power utilities, industrial, manufacturing and oil companies. NASDAQ OMX Commodities offers clearing services for energy derivative and carbon product contracts by serving as the CCP.

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

Access Services

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

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

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offers the NASDAQ Workstation, an internet-browser based interface that allows market participants to view market data and enter orders, quotes and trade reports. Finally, we offer a variety of add-on compliance tools to help firms comply with regulatory requirements.

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

Access Services revenues also include revenues from FTEN, which we acquired in December 2010. FTEN is a leading provider of RTRM solutions for the financial securities market. As a market leader in RTRM, FTEN provides broker-dealers and their clients the ability to manage risk more effectively in real-time, which leads to better utilization of capital as well as improved regulatory compliance.

Market Data

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

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

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

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

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

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non-professional subscribers for a lower monthly fee per terminal. We also offer TotalView enterprise licenses to facilitate broad based distribution of this data. In addition, we charge the distributor a monthly distributor fee.

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

- NASDAQ Basic, which offers a flexible and affordable way to provide customers with essential trading data of best bid and offer and last sale information;
- NASDAQ Last Sale, which provides broad based and universal access to real-time last sale information via Internet portals;
- NASDAQ Market Replay, a powerful replay and analysis tool that allows users to view order book and trade data for NASDAQ, NYSE- and NYSE Amex-listed securities at any point in time;
- NASDAQ OMX DataStore, which is designed to transform the market data industry through use of plug-and-play technology to deliver new proprietary information content;
- Mutual Fund Quotation Service, a service for over 26,000 mutual funds, money market funds and unit investment trusts that supports fund data, including net asset values, and capital gains and dividend income distribution and provides print and electronic media exposure for the funds. In 2011, this service was completely revamped with a new front-end website;
- Mutual Fund Dissemination Service, which is a service that facilitates the real-time and end-of-day recap dissemination of all mutual fund pricing information and is used by data vendors and media to receive complete net asset value data on funds;
- Global Index Dissemination Service, which is a real-time data feed that carries the values for a number of broad-based and sector indexes and ETFs;
- RussellTick, which is a data feed that consolidates the distribution of the Russell family of indexes;
- Top Of PHLX Options, which is a top-price-level data feed directly from the NASDAQ OMX PHLX options market;
- MatchView, a direct data feed that provides a view of the prevailing best bid offer of other exchanges;
- Global Index Watch, which provides index weights and components, including advanced notification of corporate actions, as well as real-time, daily and historical index values for NASDAQ OMX indexes;
- NASDAQ Data-On-Demand, a service that gives customers instant access to historical Level 1 information; and
- Global Access, a service that uses NASDAQ OMX expertise to perform services for clients, such as client on-site reviews.

In December 2011, we acquired the business of RapiData LLC, or RapiData, a leading provider of machine-readable economic news to trading firms and financial institutions. With this acquisition, we will deliver U.S. government and other economic news directly from the source to customers interested in receiving information in an electronic feed.

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

European market data products and services are based on the trading information from the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, as well as NASDAQ OMX Commodities, for four classes of assets: cash equities, bonds, derivatives and commodities. We provide varying levels of quote and

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trade information to market participants and to data distributors, who in turn provide subscriptions for this information. Revenues from European market data products are subscription-based and are generated primarily based on the number of data subscribers and distributors of our data.

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

Significant European market data products include:

- Nordic Equity TotalView, which provides full market insight into the order book, news and analysis data for all Nordic cash equities. The product also includes index values and weights and liquidity measure indicators;

- Nordic Derivative Level 2, which provides listing details, trade information, derived information and order book information with the five best levels of bid and ask prices with the respective total quantity; and

- Nordic Fixed Income Level 2, which provides listing details, order book information, bid and ask quotes for up to five levels, trade information, derived information, indicative bid and ask quotes, daily turnover statistics and company disclosures.

Broker Services

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

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

Issuer Services

Our Issuer Services segment includes our Global Listing Services and Global Index Group businesses. We offer capital raising solutions to companies around the globe and have more worldwide listings than any other global exchange group approximately 3,500 companies representing approximately $5.3 trillion in total market value as of December 31, 2011.

We operate a variety of listing platforms around the world to provide multiple global capital raising solutions for private and public companies. Our main listing markets are The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic. We offer a consolidated global listing application to companies to enable them to apply for listing on The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, as well as NASDAQ Dubai. In addition, through our Corporate Solutions business, we offer companies access to innovative products and services that ease transparency, maximize board efficiency and facilitate corporate governance.

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Global Listing Services

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

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

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

As of December 31, 2011, a total of 2,680 companies listed securities on The NASDAQ Stock Market, with 1,460 listings on The NASDAQ Global Select Market, 750 on The NASDAQ Global Market and 470 on The NASDAQ Capital Market.

We aggressively pursue new listings from companies, including those undergoing IPOs as well as companies seeking to switch from alternative exchanges. In 2011, The NASDAQ Stock Market attracted 151 new listings. Included in these listings were 78 IPOs, almost 51% of the total U.S. IPOs in 2011. The new listings were comprised of the following:

Total New Listings on The NASDAQ Stock Market	151
Switches from NYSE/NYSE Amex	11
IPOs	78
Upgrades from OTC	35
ETFs, Structured Products and Other Listings	27

In 2011, the following NYSE-listed companies switched to The NASDAQ Stock Market, representing approximately $41.6 billion in market capitalization: Fifth Street Finance Corp., Frontier Communications Corporation, Icahn Enterprises L.P., Magnetek, Inc., SLM Corporation, Viacom Inc. and The Wendy s Company. In the fourth quarter of 2011, we also announced that Texas Instruments Incorporated, representing approximately $33 billion in market capitalization, would switch to The NASDAQ Stock Market on the first trading day in 2012. A total of three companies switched from NYSE Amex and one company switched from NYSE Arca to The NASDAQ Stock Market in 2011.

European Listings. We also offer listings on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic. For smaller companies and growth companies, we offer access to the financial markets through the NASDAQ OMX First North alternative marketplaces. As of December 31, 2011, a total of 776 companies listed securities on our Nordic and Baltic exchanges and NASDAQ OMX First North. Measured in terms of the market capitalization of listed companies, as of December 31, 2011, NASDAQ OMX Nordic was the third largest marketplace in Europe for IT companies, the largest marketplace in the world for the paper industry, the third largest marketplace in the world for apparel retail companies and third largest marketplace in the world for the industrial machinery industry.

Our European listing customers are organizations such as companies, funds or governments. Customers issue securities in the forms of cash equities, depository receipts, warrants, ETFs, convertibles, rights, options, bonds and fixed-income related products. In 2011, a total of 34 new companies were listed on our Nordic and Baltic exchanges and NASDAQ OMX First North.

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

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

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

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

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

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

Corporate Communications and Reputation Management. Through our acquisition of Glide Technologies in October 2011, we offer corporate communications and reputation management solutions. This acquisition allows us to offer a fully-integrated workflow solution for investor relations and public relations professionals.

Global Index Group

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

In total, the Global Index Group now offers over 2,600 diverse indexes, with more than 1,000 launched in 2011. At the end of 2011, NASDAQ OMX indexes were the basis for over 5,500 structured products in 24 countries. In 2011, product sponsors launched 11 ETFs based on NASDAQ OMX indexes. Our flagship index, the NASDAQ-100 Index, includes the top 100 non-financial securities listed on The NASDAQ Stock Market.

During 2011, we launched the NASDAQ US All Market Index family consisting of more than 900 market capitalization-weighted, float-adjusted indexes, including the flagship NASDAQ US All Market index, which covers more than 4,000 companies. This Index family is based on a transparent, rules-based methodology specifically developed for institutions to use as a benchmark for the performance of the U.S. equity market.

Market Technology

Powering more than 70 markets in over 50 countries, we are the world s leading technology solutions provider and partner to exchanges, clearing organizations and central securities depositories. Our technology business is also the sales channel for our complete global offering to other marketplaces.

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

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

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

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

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

Surveillance Solutions. Since our acquisition of SMARTS, a leading technology provider of surveillance solutions to exchanges, regulators and brokers, we have offered broker surveillance and compliance services to our customers.

Core Technology. Technology plays a key role in ensuring the growth and reliability of financial markets. At NASDAQ OMX, we are committed to innovation through technology to ensure our position as a driving force in the exchange industry and to provide the best possible trading experience for our customers and investors. Investment decisions are made based on customer needs and general market trends.

We continuously improve our core technology with a focus on reducing latency and improving capacity and reliability. NASDAQ OMX s next generation technology is capable of handling multi-million messages per second at an average speed of sub-100 microseconds, currently one of the fastest of any exchange or alternative trading system in the world.

The foundation for NASDAQ OMX s core technology is INET. The INET technology is used across NASDAQ OMX s U.S. and European markets. INET is also the main building block of our Market Technology offering, Genium INET. Genium INET combines innovative functionality with a modular approach to manage change and create new advantages for existing and new customers, as well as our own marketplaces.

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Intellectual Property

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

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

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

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

Competition

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

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

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

Cash equity securities trading. The U.S. marketplace continues to evolve as the number of exchanges increases and less heavily regulated broker-owned trading systems and ATSs, known collectively as dark pools, expand in number and activity. While many of the new entrants may have limited liquidity, some may attract significant levels of cash equity order volume through aggressive pricing, through interconnections with other systems, and from volume originating with broker-dealer owners and investors. In 2011, broker-dealer owned systems continued the rapid growth that began in 2009. In addition, there remains interest in electronic trading

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systems specializing primarily in large block trades, such as LiquidNet and Investment Technology Group s POSIT platform. During 2010, three new exchange competitors to NASDAQ OMX appeared. In July 2010, Direct Edge received SEC approval to operate its two markets, EDGA and EDGX, as exchanges and in October 2010, BATS launched a second exchange, BATS-Y. During 2010, NASDAQ OMX also launched its third cash equity exchange, NASDAQ OMX PSX, to provide a third alternative combination of pricing and features. No new U.S. exchanges were launched or received approval in 2011. However, NASDAQ OMX continues to face fierce competition from all trading venues for market share.

Regulatory events also could result in significant changes in the competitive landscape. In February 2011, the SEC implemented a new short sale restriction that triggers when a security declines 10% from its previous close. In August 2011, the SEC expanded its existing single stock trading pause to include all Regulation NMS securities. These regulations stem from the 2010 SEC concept release on market structure issues, as well as the events of the May 6, 2010 flash crash. Any potential rules concerning halting trading during volatile markets, market access, algorithmic (high-frequency) trading, alternative trading systems (such as dark pools), and other market structure issues could change the competitive landscape by helping or hurting NASDAQ OMX or its competitors business models.

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

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

Derivatives. Our principal competitors for trading options in the U.S. include the Chicago Board Options Exchange, or CBOE, the International Securities Exchange, or ISE, NYSE ARCA, NYSE Amex and the Boston Options Exchange, or BOX. Competition is focused on providing market participants with greater functionality, trading system stability, customer service, efficient pricing, and speed of execution. NASDAQ OMX operates two options exchanges with different market structures. NASDAQ OMX PHLX operates a pro-rata hybrid electronic and floor based exchange and competes most directly with CBOE, ISE, NYSE Arca and NYSE Amex. The NASDAQ Options Market operates a price/time priority exchange and competes most directly with NYSE ARCA and BOX. Both BATS and the CBOE launched new options exchanges in 2010, with BATS being somewhat similar to The NASDAQ Options Market. The further intensifying of competition for exchange traded options means that we must continuously review our technology and pricing.

MiFID does not address competition between derivatives markets to the extent that it addresses cash equities trading and consequently has been slower to affect competition in trading derivative securities. Exchange based competition for trading in European derivatives continues to occur mainly where there is competition in trading for the underlying equities and our competition for options on European equities is primarily with

EUREX Group, or EUREX, NYSE Liffe, EDX London Limited, or EDX, and, to a limited extent, the U.S. options exchanges. Such competition is limited to options on a small number of equity securities although these securities tend to be among the most active. In addition to exchange based competition in derivatives, we continue to face competition from OTC derivative markets.

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

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

At this time, competition in clearing in Europe remains limited with a few new non-national clearinghouses such as EMCF, X-Clear and EuroCCP serving non-national multilateral trading facilities or offering alternative clearing facilities for trades executed on incumbent exchanges. However, competition is altering the clearing business in Europe in response to the European Code of Conduct in Clearing and Settlement. Even as a 22% equity owner of EMCF, one of the largest cash equities clearinghouses in Europe, we support interoperability of cash equities clearinghouses, which will foster a healthy competition among cash equities clearinghouses in Europe.

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

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

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

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

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new Nasdaq Data Revenue Sharing Program. In December 2010, we again changed the terms of the program which were effective January 2011. We may adjust either program in the future to respond to competitive pressures.

The sale of our proprietary data products in both the U.S. and Europe is under competitive threat from alternative exchanges and trading venues that offer similar products, sometimes at a lower price or free of charge. Our market data business competes with other exchanges and third party vendors in providing information to market participants. Consequently, our data products must be competitive in speed, reliability, content and price to succeed in the marketplace. New exchanges and trading systems entering the market have recognized the strong connection between market data and transactions volume and new entrants typically price their market data very aggressively in order to grow transactions volume, thereby limiting our flexibility in pricing market data. Any action by a market participant to provide information to another exchange or market data vendor could have a negative impact on our data products. The market data business must also adapt to rapidly changing information delivery technologies and constantly invest in innovative product design and development. Other market data providers may not face the regulatory obligations we face and may consequently be more flexible in pricing and more agile in deploying new products and business methods to our detriment. The growth of the number of proprietary data feeds offered by NASDAQ OMX and other exchanges has also increased the reluctance of some data vendors to add new feeds to their product offerings which further complicates exchanges efforts to expand their market data offerings.

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

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

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

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

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Regulation

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

U.S. Regulation

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

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

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

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

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

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

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

Section 19 of the Exchange Act provides that our exchanges must submit to the SEC proposed changes to any of the SROs rules, practices and procedures, including revisions to provisions of our certificate of incorporation and by-laws that constitute SRO rules. The SEC will typically publish the proposal for public comment, following which the SEC may approve or disapprove the proposal, as it deems appropriate. The SEC s

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action is designed to ensure that applicable SRO rules and procedures are consistent with the aims of the Exchange Act and its rules and regulations. In addition, pursuant to the requirements of the Exchange Act, our exchanges must file all proposals to change their pricing structure with the SEC.

NASDAQ OMX currently operates three cash equities and two options markets in the United States. We operate The NASDAQ Stock Market and The NASDAQ Options Market pursuant to The NASDAQ Stock Market s SRO license; the NASDAQ OMX BX cash equities market pursuant to the NASDAQ OMX BX SRO license; and the NASDAQ OMX PSX cash equities market and the NASDAQ OMX PHLX options market pursuant to the NASDAQ OMX PHLX SRO license. In addition, NASDAQ OMX BX regulates the BOX Market, pursuant to a regulatory services agreement between a subsidiary of NASDAQ OMX BX and BOX. NASDAQ OMX does not have an ownership interest in BOX, and BOX compensates NASDAQ OMX BX based on the cost of the regulatory services provided to BOX. Under the terms of the regulatory services agreement, NASDAQ OMX BX s services for the BOX Market will terminate for trades occurring after the earlier to occur of BOX s registration as a national securities exchange, whereupon BOX will become its own SRO, or May 31, 2012. NASDAQ OMX BX will continue to provide regulatory services for trades occurring prior to the termination date until all regulatory matters related to these trades have been resolved.

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

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

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

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

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

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

As of December 31, 2011, we were in compliance with all of such capital requirements.

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

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

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

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

CFTC Regulation. With the acquisition of PHLX, we also acquired its subsidiary, NFX (formerly the Philadelphia Board of Trade), a designated contract market under the Commodity Exchange Act. As a designated contract market, NFX is subject to regulatory oversight by the CFTC, an independent agency with the mandate to regulate commodity futures and option markets in the U.S. NFX currently lists futures contracts on foreign currencies and gold. The National Futures Association, or NFA, provides certain regulatory services to NFX pursuant to a Regulatory Services Agreement. The CFTC also regulates IDCH, a derivatives clearing organization under the Commodity Exchange Act that is wholly owned by IDCG. IDCH clears interest rate swap contracts that are traded in the OTC market or will be traded on swap execution facilities. NFA also provides regulatory services to IDCH.

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

European Regulation

Regulation of our markets in the European Union focuses on issues relating to financial services, listing and trading of securities and market abuse. Currently, there are new regulatory proposals relating to CCP services and OTC derivatives transactions. As the regulatory environment continues to change and related opportunities arise, we intend to use our position in the industry to continue product development, and ensure that the exchanges and clearinghouses that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic maintain favorable liquidity and offer efficient trading.

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

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

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

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

With respect to ongoing operations, the SSMA requires exchanges to conduct their activities in an honest, fair and professional manner, and in such a way as to maintain public confidence in the securities markets. When operating a regulated market, an exchange must apply the principles of free access (i.e., that each person which meets the requirements established by law and by the exchange may participate in trading), neutrality (i.e., that the exchange s rules for the regulated market are applied in a consistent manner to all those who participate in trading) and transparency (i.e., that the participants must be given speedy, simultaneous and correct

information concerning trading and that the general public must be given the opportunity to access this information). Additionally, the exchange operator must identify and manage the risks which may arise in its operations, use secure technical systems and identify and handle the conflicts of interest which may arise between the exchange or its owners interests and the interest in safeguarding effective risk management and secure technical systems. Similar requirements are set up by the SSMA in relation to clearing operations.

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

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

Employees

As of December 31, 2011, NASDAQ OMX had 2,433 employees, including staff employed at consolidated entities where we have a controlling financial interest. Of the total employees, 1,132 were based in the U.S. and 1,301 were based outside of the U.S. None of our U.S. employees is subject to collective bargaining agreements or is represented by a union. Approximately 103 employees based in Denmark and Finland are covered by local union agreements.

NASDAQ OMX Website and Availability of SEC Filings

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

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

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

Item 1A. Risk Factors.

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

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Risks Relating to our Business

Our industry is highly competitive.

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

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

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

Competitors may develop market trading platforms that are more competitive than ours. Competitors may enter into strategic partnerships, mergers or acquisitions that could make their trading, listings or data businesses more competitive than ours. If we are unable to compete successfully in this environment, our business, financial condition and operating results will be adversely affected.

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

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

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

Our business performance is impacted by a number of factors including general economic conditions in both the U.S. and Europe, market volatility, and other factors that are generally beyond our control. Although access to credit markets has improved recently in the U.S., a long-term continuation of challenging economic conditions, or a worsening situation in Europe, is likely to negatively impact our business. Adverse market conditions could reduce customer demand for our services and the ability of our customers, lenders and other counterparties to meet their obligations to us. Poor economic conditions may result in a decline in trading volume, deterioration of the economic welfare of our listed companies and a reduction in the demand for our products, including our market data, indexes and market technology. Market volatility such as that seen with the flash crash on May 6, 2010 or during the macroeconomic uncertainty of August 2011 could drive investors away from cash equity markets. Trading volume is driven primarily by general market conditions and declines in trading volume may affect our market share and impact our pricing.

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

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

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

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

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

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

Our matched market share in NASDAQ-listed securities executed on NASDAQ declined from 46.1% in 2007 to 27.7% in 2011 and our combined matched market share in all U.S.-listed securities executed on all of our platforms declined from 29.1% in 2007 to 21.2% in 2011. In addition, as a result of the adoption of MiFID, a number of MTFs have launched, thereby significantly increasing competition in Europe. As a result, our matched market share in securities listed on our exchanges comprising NASDAQ OMX Nordic and NASDAQ OMX Baltic has declined from 100% in 2007 to 71.9% in 2011.

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

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

Declines in the initial public offering market could have an adverse effect on our revenues.

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

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

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

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

System limitations or failures could harm our business.

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

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

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

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

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

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, a comprehensive banking and financial services reform package. Full implementation of this law will require extensive rulemaking by the SEC, the CFTC, SROs and other regulators. In light of the uncertainty of the final implementation of this law, there is a risk that the final regulations could include provisions that could impact our business. In addition, market participants may change their behavior in response to this law and the expected regulations.

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

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

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

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

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

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

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

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

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

We may not be able to keep up with rapid technological and other competitive changes affecting our industry.

The markets in which we compete are characterized by rapidly changing technology, evolving industry standards, frequent enhancements to existing products and services, the adoption of new services and products and changing customer demands. If our platforms fail to function as expected, our business would be negatively affected. In addition, our business, financial condition and operating results may be adversely affected if we cannot successfully develop, introduce or market new services and products or if we need to adopt costly and customized technology for our services and products. Further, our failure to anticipate or respond adequately to changes in technology and customer preferences, especially in our market technology business, or any significant delays in product development efforts, could have a material adverse effect on our business, financial condition and operating results.

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

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

- our ability to maintain the security of our data and systems;

the ability to execute our business plan, key initiatives or new business ventures and the ability to keep up with changing customer demand;

the representation of our business in the media;

the accuracy of our financial statements and other financial and statistical information;

the accuracy of our financial guidance or other information provided to our investors;

the quality of our corporate governance structure;

the quality of our products, including the reliability of our transaction-based business, the accuracy of the quote and trade information provided by our market data business and the accuracy of calculations used by our Global Index Group for indexes and unit investment trusts;

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- the quality of our disclosure controls or internal controls over financial reporting, including any failures in supervision;
- extreme price volatility on our markets, such as that seen with the flash crash on May 6, 2010;
- any negative publicity surrounding our listed companies; and
- any misconduct, fraudulent activity or theft by our employees or other persons formerly or currently associated with us.

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

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

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

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

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

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

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

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

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

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

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

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

In connection with recent acquisitions and share repurchases in 2010, we incurred a significant amount of indebtedness. Our indebtedness as of December 31, 2011 was approximately $2.1 billion. We also may borrow up to an additional $524 million under a revolver that is part of our credit facilities.

Our leverage could:

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

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

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

Our business acquisitions typically result in the recording of goodwill and intangible assets, and the recorded values of those assets may become impaired in the future. As of December 31, 2011, goodwill totaled approximately $5.1 billion and intangible assets, net of accumulated amortization, totaled approximately $1.6 billion. The determination of the value of such goodwill and intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements.

We assess goodwill and intangible assets as well as other long-lived assets, including equity method investments, property and equipment and other assets for impairment by applying a fair value based test by analyzing historical performance, capital requirements and projected cash flows on an annual basis or more frequently if indicators of impairment arise. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate cash flows. Although there are inherent uncertainties in this assessment process, the estimates and assumptions we use are consistent with our internal planning. There was no impairment of goodwill for the years ended December 31, 2011, 2010 and 2009. However, disruptions to our business, such as economic weakness and unexpected significant declines in operating results, may result in an impairment charge related to our goodwill, intangible assets or other long-lived assets in the future. A significant impairment charge in the future could have a material adverse effect on our operating results.

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

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

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

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

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

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

Many aspects of our business potentially involve substantial liability risks. Although we are immune from private suits for self-regulatory organization activities, this immunity only covers certain of our activities in the

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U.S., and we could be exposed to liability under national and local laws, court decisions and rules and regulations promulgated by regulatory agencies.

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

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

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

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

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

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

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

Our future success depends, in large part, upon our ability to attract and retain highly qualified professional personnel. Competition for key personnel in the various localities and business segments in which we operate is intense. Our ability to attract and retain key personnel, in particular senior officers, will be dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies

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competing for the same talent. There is no guarantee that we will have the continued service of key employees who we rely upon to execute our business strategy and identify and pursue strategic opportunities and initiatives. In particular, we may have to incur costs to replace senior officers or other key employees who leave, and our ability to execute our business strategy could be impaired if we are unable to replace such persons in a timely manner.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- the diversion of our management team from its other operations;
- problems with regulatory bodies;

- exposure to unanticipated liabilities;

- difficulties in realizing projected efficiencies, synergies and cost savings; and

- changes in our credit rating and financing costs.

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

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

- unforeseen difficulties, costs or complications in combining the companies operations, which could lead to us not achieving the synergies we anticipate;

- unanticipated incompatibility of systems and operating methods;

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- inability to use capital assets efficiently to develop the business of the combined company;
- the difficulty of complying with government-imposed regulations in the U.S. and abroad, which may be conflicting;
- resolving possible inconsistencies in standards, controls, procedures and policies, business cultures and compensation structures;
- the diversion of management s attention from ongoing business concerns and other strategic opportunities;
- unforeseen difficulties in operating acquired businesses in parallel with similar businesses that we operated previously;
- unforeseen difficulties in operating businesses we have not operated before;
- unanticipated difficulty of integrating multiple acquired businesses simultaneously;
- the retention of key employees and management;
- the implementation of disclosure controls, internal controls and financial reporting systems at non-U.S. subsidiaries to enable us to comply with U.S. generally accepted accounting principles, or U.S. GAAP, and U.S. securities laws and regulations, including the Sarbanes Oxley Act of 2002, required as a result of our status as a reporting company under the Exchange Act;
- the coordination of geographically separate organizations;
- the coordination and consolidation of ongoing and future research and development efforts;
- possible tax costs or inefficiencies associated with integrating the operations of a combined company;
- pre-tax restructuring and revenue investment costs;
- the retention of strategic partners and attracting new strategic partners; and
- negative impacts on employee morale and performance as a result of job changes and reassignments.

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to an Investment in Our Common Stock

Volatility in our stock price could adversely affect our stockholders.

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

- actual or anticipated variations in our quarterly operating results;
- changes in financial estimates by us or by any securities analysts who might cover our common stock;
- conditions or trends in our industry, including trading volumes, regulatory changes or changes in the securities marketplace;

- conditions or trends in the credit markets;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- additions or departures of key personnel; and
- sales of our common stock, including sales of our common stock by our directors and officers, significant stockholders or our strategic investors.

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

Sales of a substantial number of shares of our common stock in the public markets, or the perception that these sales might occur, could cause the market price of our common stock to decline or could impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities. As of December 31, 2011, there were 173,552,939 shares of our common stock outstanding. All of our common stock is freely transferable, except shares held by our affiliates, as defined in Rule 144 under the Securities Act.

The number of freely transferable shares of our common stock will increase upon any exercise of outstanding options pursuant to our stock compensation and stock award plan for our employees. There were 5.8 million options exercisable as of December 31, 2011 at a weighted average exercise price of $15.02.

It is our intent and policy to settle the principal amount of our 2.50% convertible senior notes due August 2013, or the 2013 Convertible Notes, in cash, which will not impact the number of shares of our common stock. However, we have the option to settle the conversion premium in shares of our common stock or cash. The conversion rate will initially be 18.1386 shares of common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of $55.13 per share of common stock.

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

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

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

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

Our certificate of incorporation and by-laws:

require supermajority stockholder approval to remove directors;

do not permit stockholders to act by written consent or to call special meetings;

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require certain advance notice for director nominations and actions to be taken at annual meetings;

require supermajority stockholder approval with respect to certain amendments to our certificate of incorporation and by-laws (including in respect of the provisions set forth above); and

authorize the issuance of undesignated preferred stock, or blank check preferred stock, which could be issued by our board of directors without stockholder approval.

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following is a description of our principal properties.

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

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

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

Generally, our properties are not earmarked for use by a particular segment; instead, most of our properties are used by two or more segments. We believe the facilities we occupy are adequate for the purposes for which they are currently used and are well-maintained. As of December 31, 2011, approximately 113,555 square feet of space was available for sublease.

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Item 3. Legal Proceedings.

We are not currently a party to any litigation that we believe could have a material adverse effect on our business, financial condition or operating results. However, from time to time, we have been threatened with, or named as a defendant in, lawsuits or involved in regulatory proceedings.

Item 4. Mine Safety Disclosures.

Not applicable.

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Part II

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

Market Information

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

The following chart lists the quarterly high and low sales prices for shares of our common stock for fiscal years 2011 and 2010. These prices are between dealers and do not include retail markups, markdowns or other fees and commissions and may not represent actual transactions.

	High	Low
Fiscal 2011		
Fourth quarter	$ 26.81	$ 21.69
Third quarter	26.32	20.32
Second quarter	29.50	23.02
First quarter	29.71	23.09
Fiscal 2010		
Fourth quarter	$ 24.34	$ 19.07
Third quarter	20.54	17.18
Second quarter	23.11	17.54
First quarter	21.33	17.87

As of February 10, 2012, we had approximately 780 holders of record of our common stock. As of February 10, 2012, the closing price of our common stock was $26.00. Our credit facilities limit our ability to pay dividends. Before our credit facilities were in place, it was not our policy to declare or pay cash dividends on our common stock.

Issuer Purchases of Equity Securities

Share Repurchase Programs and Share Repurchase from Borse Dubai

In October 2011, our board of directors approved a share repurchase program authorizing NASDAQ OMX to repurchase in the aggregate up to $300 million of our outstanding common stock. These purchases may be made from time to time at prevailing market prices in open market purchases, privately-negotiated transactions, block purchase techniques or otherwise, as determined by our management. The purchases will be funded from existing cash balances. The share repurchase program may be suspended, modified or discontinued at any time. During the fourth quarter of 2011, we repurchased 3,983,481 shares of our common stock at an average price of $25.10, for an aggregate purchase price of $100 million.

Under the share repurchase program authorized by our board of directors during 2010, we were authorized to repurchase up to $550 million of our outstanding common stock. During 2010, we repurchased 15,050,647 shares of our common stock at an average price of $19.95, for an aggregate purchase price of $300 million. In December 2010, our board of directors also approved the repurchase of 22,781,000 shares of our common stock from Borse Dubai for $21.82 per share for an aggregate purchase price of approximately $497 million. The share repurchase from Borse Dubai expanded, accelerated and completed this share repurchase program. The shares repurchased under the share repurchase program and from Borse Dubai are available for general corporate purposes.

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Employee Transactions

In addition to our share repurchase program, during the fiscal quarter ended December 31, 2011, we also purchased shares from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock grants.

The table below represents repurchases made by or on behalf of us or any affiliated purchaser of our common stock during the fiscal quarter ended December 31, 2011:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
October 2011				
Share repurchase program		$		$ 300
Employee transactions	2,871	$ 24.60	N/A	N/A
November 2011				
Share repurchase program		$		$ 300
Employee transactions	3,762	$ 26.17	N/A	N/A
December 2011				
Share repurchase program	3,983,481	$ 25.10	3,983,481	$ 200
Employee transactions	98,516	$ 24.95	N/A	N/A
Total Fiscal Quarter Ended				
December 31, 2011				
Share repurchase program	3,983,481	$ 25.10	3,983,481	$ 200
Employee transactions	105,149	$ 24.99	N/A	N/A

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PERFORMANCE GRAPH

The following graph compares the total return of our common stock with certain indices and a peer group. These include the NASDAQ Composite Stock Index and the Standard & Poor s, or S&P, 500 Stock Index as well as the peer group. The peer group includes the CME Group Inc., Deutsche Börse AG, IntercontinentalExchange Inc., LSE, and NYSE Euronext. Information for the indices and the peer group is provided from December 31, 2006 through December 31, 2011. The figures represented below assume an initial investment of $100 in the common stock or index at the closing price on December 31, 2006 and the reinvestment of all dividends.

	12/06	12/07	12/08	12/09	12/10	12/11
The NASDAQ OMX Group, Inc.	$ 100.00	$ 160.73	$ 80.25	$ 64.37	$ 77.07	$ 79.60
NASDAQ Composite	100.00	110.26	65.65	95.19	112.10	110.81
S&P 500	100.00	105.49	66.46	84.05	96.71	98.75
Peer Group	100.00	155.42	51.67	69.93	69.86	59.51

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Item 6. Selected Financial Data.

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

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

- PHLX, July 2008;
- BSX, August 2008;
- Certain subsidiaries of Nord Pool, October 2008;
- The assets of North American Energy Credit and Clearing Corp., March 2010;
- A derivatives trading market through the purchase of the remaining business of Nord Pool, May 2010;
- SMARTS, August 2010;
- FTEN, December 2010;
- ZVM, December 2010;
- Glide Technologies, October 2011; and
- The business of RapiData, December 2011.

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

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

Selected Financial Data

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(in millions, except share and per share amounts)				
Statements of Income Data:					
Total revenues[1]	$ 3,438	$ 3,197	$ 3,411	$ 3,650	$ 2,436
Cost of revenues[1]	(1,748)	(1,675)	(1,958)	(2,190)	(1,624)
Revenues less transaction rebates, brokerage, clearance and exchange fees	1,690	1,522	1,453	1,460	812
Total operating expenses	994	891	850	820	447
Operating income	696	631	603	640	365
Net income attributable to NASDAQ OMX	387	395	266	314	518
Net income applicable to common stockholders	387	394	266	314	518
Basic and diluted earnings per share:					
Basic earnings per share	$ 2.20	$ 1.94	$ 1.30	$ 1.65	$ 4.47
Diluted earnings per share	$ 2.15	$ 1.91	$ 1.25	$ 1.55	$ 3.46
Weighted-average common shares outstanding for earnings per share:					
Basic	176,331,819	202,975,623	204,698,277	190,362,605	116,064,240
Diluted	180,011,247	206,514,655	214,537,907	204,514,862	152,528,691

	December 31,				
	2011	2010	2009	2008	2007
	(in millions)				
Balance Sheets Data:					
Cash and cash equivalents and financial investments	$ 785	$ 568	$ 902	$ 601	$ 1,325
Total assets[2]	14,091	16,207	10,722	12,752	2,979
Total long-term liabilities	3,075	3,247	2,909	3,372	360
Total equity	4,986	4,729	4,944	4,303	2,208

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

(2) Total assets included resale agreements, at contract value of $3.7 billion at December 31, 2011 and $3.4 billion at December 31, 2010. In September 2010, we launched a clearing service for the resale and repurchase agreement market. See Resale and Repurchase Agreements, at Contract Value, of Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements for further discussion.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the financial condition and results of operations of NASDAQ OMX should be read in conjunction with our consolidated financial statements and related notes included in this Form 10-K, as well as the discussion under Item 1A. Risk Factors.

Business Overview

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

On February 27, 2008, Nasdaq and OMX AB combined their businesses and Nasdaq was renamed The NASDAQ OMX Group, Inc. Under the purchase method of accounting, Nasdaq was treated as the accounting and legal acquirer in the business combination with OMX AB. We also completed the following acquisitions during 2008, 2010 and 2011:

- PHLX, July 2008;
- BSX, August 2008;
- Certain subsidiaries of Nord Pool, October 2008;
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- A derivatives trading market through the purchase of the remaining business of Nord Pool, May 2010;
- SMARTS, August 2010;
- FTEN, December 2010;
- ZVM, December 2010;
- Glide Technologies, October 2011; and
- The business of RapiData, December 2011.

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

Business Environment

We serve listed companies, market participants and investors by providing high quality cash equity, derivative and commodities markets, thereby facilitating economic growth and corporate entrepreneurship. We also provide market technology to exchanges and markets around the world. In broad terms, our business performance is impacted by a number of drivers including macroeconomic events affecting the risk and return of financial assets, investor sentiment, government and private sector demands for capital, the regulatory environment for capital markets, and changing technology in the financial services industry. Our future revenues and net income will continue to be influenced by a number of domestic and international economic trends including:

Trading volumes, particularly in U.S. and Nordic cash equity and derivative securities, which are driven primarily by overall macroeconomic conditions;

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

The level of optimism of our technology customers about the outlook for capital markets and economic stability;

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

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

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

- Technological advancements and members demand for speed, efficiency, and reliability.

Currently our business drivers are defined by investors cautious outlook about the pace of global economic recovery and governments ability to fund their sovereign debt. The lack of confidence in the prospects for growth results in sporadic increases in the level of market volatility and oscillating trading volumes in cash equities. In the U.S., the IPO market and the cash equities trading business were both negatively impacted by investors diminished confidence in the second half of 2011. However, equity derivative trading volumes remain strong in the U.S. Additional impacts on our business drivers include the international enactment and implementation of new legislative and regulatory initiatives, and the continued rapid evolution and deployment of new technology in the financial services industry. The business environment that influenced our financial performance for the full year 2011 may be characterized as follows:

- A weaker pace of new equity issuance in the U.S. with 78 IPOs on The NASDAQ Stock Market, down from 89 in 2010. IPO activity remained slow in the Nordics with 9 IPOs in 2011 on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic;

- Matched share volume for all of our U.S. cash equity markets fell by 11.7% relative to 2010, driven by a decline in consolidated U.S. volume and a 1.0% point drop in our matched market share;

- A 30.0% increase relative to 2010 in the number of cash equity transactions on our Nordic and Baltic exchanges as the average trade size continues to decrease;

- A 0.9% decrease relative to 2010 in the SEK value of cash equity transactions on our Nordic and Baltic exchanges resulting from decreased share volume levels;

- Growth of 7.0% relative to 2010 experienced by our Nordic and Baltic exchanges in the number of traded and cleared equity and fixed-income contracts (excluding EUREX);

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

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

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

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Financial Summary

The following summarizes significant changes in our financial performance for the year ended December 31, 2011 when compared with the same period in 2010.

	Year Ended December 31, 2011	2010	Percentage Change
	(in millions)		
Revenues less transaction rebates, brokerage clearance and exchange fees	$ 1,690	$ 1,522	11.0%
Operating expenses	994	891	11.6%
Operating income	696	631	10.3%
Interest expense	(119)	(102)	16.7%
Asset impairment charge	(18)		#
Income before income taxes	573	526	8.9%
Income tax provision	190	137	38.7%
Net income attributable to NASDAQ OMX	$ 387	$ 395	(2.0)%
Diluted earnings per share	$ 2.15	$ 1.91	12.6%

\# Denotes a variance equal to 100.0%.

Growth in revenues less transaction rebates, brokerage, clearance and exchange fees was primarily due to increases in access services revenues and total derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees.

The increase in operating expenses was primarily due to an increase in merger and strategic initiatives expense and higher compensation and benefits expense.

Interest expense increased primarily due to additional interest expense related to the issuance of our $370 million 5.25% senior unsecured notes due January 16, 2018.

Asset impairment charge in 2011 of $18 million was due to an other-than-temporary impairment charge related to our available-for-sale investment security in Dubai Financial Market PJSC, or DFM.

The increase in the income tax provision reflects an increase in the overall effective tax rate from 26.0% in 2010 to 33.2% in 2011.

Excluding our merger and strategic initiatives expense, asset impairment charge and other items that are not reflective of our core business performance, net of taxes, consolidated net income attributable to NASDAQ OMX for the year ended December 31, 2011 was $455 million, or $2.53 per diluted share, compared with $411 million, or $1.99 per diluted share, for the year ended December 31, 2010. See Non-GAAP Financial Measures for further discussion.

For further discussion of our financial performance, see below.

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

Impacts associated with fluctuations in foreign currency are discussed in more detail under Item 7A. Quantitative and Qualitative Disclosures about Market Risk. For the year ended December 31, 2011, approximately 35.6% of our revenues less transaction rebates, brokerage, clearance and exchange fees and 31.4% of our operating income were derived in currencies other than the U.S. dollar, primarily the Swedish Krona, Euro, Norwegian Krone and Danish Krone.

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The following summarizes significant changes in our financial performance for the year ended December 31, 2011 when compared with the same period in 2010:

Revenues less transaction rebates, brokerage, clearance and exchange fees increased $168 million, or 11.0%, to $1,690 million in 2011, compared with $1,522 million in 2010, reflecting an operational increase in revenues of $117 million and a favorable impact from foreign exchange of $51 million. The increase in operational revenues was primarily due to:

- an increase in access services revenues of $49 million, primarily reflecting increased revenues related to FTEN which was acquired in December 2010 and increased demand for services;
- an increase in total derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees of $37 million, primarily related to U.S. operations;
- an increase in market data revenues of $14 million;
- an increase in Issuer Services revenues of $19 million, primarily from Corporate Solutions revenues; and
- an increase in Market Technology revenues of $13 million, primarily due to broker surveillance and delivery project revenues, partially offset by;
- a decrease in total cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees of $14 million, primarily related to U.S. operations.

Operating expenses increased $103 million, or 11.6%, to $994 million in 2011, compared with $891 million in 2010, reflecting an operational increase of $69 million and an unfavorable impact from foreign exchange of $34 million. The operational increase in operating expenses was primarily due to:

- an increase in merger and strategic initiatives expense of $34 million, primarily reflecting costs incurred in connection with our joint proposal to acquire NYSE Euronext;
- an increase in compensation and benefits expense of $29 million, primarily reflecting additional headcount from acquisitions, as well as stronger financial performance;
- an increase in professional and contract services expense of $9 million, primarily reflecting increased consulting costs;
- an increase in marketing and advertising expense of $4 million, primarily due to increased advertising on behalf of new issuers; and
- an increase in computer operations and data communications expense of $4 million, primarily due to higher expenses from acquisitions, partially offset by;

a decrease in general, administrative and other expense of $13 million, primarily due to lower debt extinguishment and refinancing charges incurred in 2011 as compared to 2010.

Asset impairment charge of $18 million in 2011 was related to a non-cash, other-than-temporary impairment on our available-for-sale investment security in DFM.

Loss on divestiture of businesses of $11 million in 2010 was related to our decision to close the businesses of both NASDAQ OMX Europe, or NEURO, and Agora-X, LLC, or Agora-X, during the second quarter of 2010.

Interest expense increased $17 million, or 16.7%, to $119 million in 2011, compared with $102 million in 2010. This increase was primarily due to additional interest expense related to the issuance of our $370 million 5.25% senior unsecured notes due January 16, 2018, or the 2018 Notes, in December 2010.

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

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2012 Outlook

For the fourth year in a row, more share value traded on The NASDAQ Stock Market than on any other single cash equities exchange in the world. Our platform continues to stand out as a reliable, flexible, and high capacity system delivering high levels of execution quality and speed under even extremely demanding market conditions. We launched several important initiatives during 2011 that should benefit us during the challenging economic environment anticipated for 2012, which included the migration of The NASDAQ Options Market to the NASDAQ OMX PHLX technology architecture, creating one of the fastest options match engines in the industry. The standout performance and flexibility of our technology has enabled us to enter new markets with a low cost and highly regarded platform offering strong performance to both existing and new clients and creating additional sales opportunities for both our Transactions Services and Market Data businesses.

Our 2010 experiences with launching INET technology on our U.S., Nordic, and Baltic exchanges continued in 2011 when the Singapore Stock Exchange and the Australian Stock Exchange each went live with Genium INET technology. By using NASDAQ OMX high performance systems in all of our exchanges, the flexibility of INET and Genium INET technology has been demonstrated around the world. BM&FBOVESPA, the largest stock exchange in Latin America, and Bovespa Market Supervision, the Brazilian self-regulatory organization, announced that they will use NASDAQ OMX s SMARTS Integrity market surveillance platform to monitor trading across their equities and commodities platforms.

In February 2011, the SEC implemented a short sale restriction that triggers when a security declines 10% from its previous close. In August 2011, the SEC expanded its existing single stock trading pause to include all Regulation NMS securities. These regulations stem from the events of the May 6, 2010 flash crash and the SEC s effort to promote market stability and investor confidence. European regulators are currently considering a number of new policies affecting the operation and infrastructure of the financial markets. We expect global markets to continue to be marked by significant change in 2012, driven primarily by regulatory initiatives in the U.S. and Europe. We expect that cash equities markets will continue to fragment into additional venues, and trading will continue to migrate from exchanges to OTC systems. Conversely, trading in OTC derivatives will begin to move onto exchanges and other public execution facilities.

During 2011, the overall IPO market continued its recovery from the impact of the 2008 financial crisis, though many companies decided to delay their offerings amidst the volatile market conditions that began in August 2011 following the U.S. credit rating downgrade and European debt problems. We expect the demand for public equity capital from companies experiencing the gradual return of global economic growth to support increases in the number of IPOs. Furthermore, an improved outlook for equity investments and the number of private companies seeking capital is expected to add to the IPO pipeline in 2012. We continue to leverage the opportunities in market data brought about by the breadth of NASDAQ OMX s data distribution capabilities by offering new data products to our customer base and by strengthening our direct relationships with those customers.

We believe that the year ahead will be positive for our business drivers and our operations as the global economy slowly recovers. We believe that our aggressive steps in meeting our cost, revenue, and technology objectives over the last three years will enable us to benefit from improving economic conditions in 2012. We will continue to look for opportunities to further diversify our business with enhanced product offerings and/or acquisitions that are complementary to our existing businesses.

Business Segments

We manage, operate and provide our products and services in three business segments: Market Services, Issuer Services and Market Technology.

Market Services

Our Market Services segment includes our U.S. and European Transaction Services businesses, which include Access Services, as well as our Market Data and Broker Services businesses. We offer trading on multiple exchanges and facilities across several asset classes, including cash equities, derivatives, debt, commodities, structured products and ETFs. In addition, in some of the countries where we operate exchanges, we also provide clearing, settlement and depository services.

Issuer Services

Our Issuer Services segment includes our Global Listing Services and Global Index Group businesses. We offer capital raising solutions to companies around the globe and have more worldwide listings than any other global exchange group approximately 3,500 companies representing approximately $5.3 trillion in total market value as of December 31, 2011.

We operate a variety of listing platforms around the world to provide multiple global capital raising solutions for private and public companies. Our main listing markets are The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic. We offer a consolidated global listing application to companies to enable them to apply for listing on The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, as well as NASDAQ Dubai. In addition, through our Corporate Solutions business, we offer companies access to innovative products and services that ease transparency, maximize board efficiency and facilitate corporate governance.

Market Technology

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

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

Our management allocates resources, assesses performance and manages these businesses as three separate segments. See Note 18, Business Segments, to the consolidated financial statements for further discussion.

Sources of Revenues and Cost of Revenues

Market Services Revenues

Transaction Services

U.S. Cash Equity Trading

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

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

Also, we pay Section 31 fees to the SEC for supervision and regulation of securities markets. We pass these costs along to our customers through our cash equity trading fees. We collect the fees as a pass-through charge from organizations executing eligible trades on NASDAQ s, NASDAQ OMX BX s and NASDAQ OMX PSX s platforms, and we recognize these amounts in cost of revenues when incurred. Section 31 fees received are

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included in cash and cash equivalents in the Consolidated Balance Sheets at the time of receipt and, as required by law, the amount due to the SEC is remitted semiannually and recorded as Section 31 fees payable to the SEC in the Consolidated Balance Sheets until paid. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on our revenues less transaction rebates, brokerage, clearance and exchange fees. As we hold the cash received until payment to the SEC, we earn interest income on the related cash balances.

European Cash Equity Trading

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

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

U.S. Derivative Trading and Clearing

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

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

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

European Derivative Trading and Clearing

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

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

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

Access Services

We generate revenues by providing market participants with several alternatives for accessing our markets for a fee. The type of connectivity is determined by the level of functionality a customer needs. As a result,

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access services revenues vary depending on the type of connection provided to customers. We provide co-location services to market participants whereby firms may lease space for equipment within our data center. These participants are charged monthly fees for cabinet space, connectivity and support. We also earn revenues from annual and monthly exchange membership and registration fees. Revenues for providing access to our markets, co-location services and revenues for monthly exchange membership and registration fees are recognized on a monthly basis as the service is provided. Revenues from annual fees for exchange membership and registration fees are recognized ratably over the following 12-month period.

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

Market Data

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

Net U.S. Tape Plans

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

U.S. Market Data Products

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

European Market Data Products

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

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Broker Services

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

In November 2009, we sold our Broker Services operations in the United Kingdom to TD Waterhouse.

Issuer Services Revenues

Global Listing Services

U.S. Listing Services

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

European Listing Services

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

Corporate Solutions

Global Listing Services revenues also include fees from Corporate Solutions. Our Corporate Solutions business provides customer support services, products and programs to companies, including companies listed on our exchanges. Revenues primarily include subscription income from Shareholder.com, Directors Desk and Glide Technologies, and fees from GlobeNewswire. Prior to October 2009, Corporate Solutions revenues also included commission income from our Carpenter Moore insurance agency business. In October 2009, we sold substantially all of our Carpenter Moore insurance agency business.

Fee income for services other than placement of insurance coverage is recognized as those services are provided. Shareholder.com revenues are based on subscription agreements with customers. Revenues from subscription agreements are recognized ratably over the contract period, generally one year in length. As part of subscription services, customers also are charged usage fees based upon actual usage of the services provided. Revenues from usage fees and other services are recognized when earned. Directors Desk revenues are based on subscriptions for online services for directors. Subscriptions are one year in length and revenues are recognized ratably over the year. Glide Technologies revenues are primarily based on subscription agreements with customers and are recognized ratably over the contract period, generally one year in length. GlobeNewswire generates fees primarily from wire distribution services, and revenues are recognized as services are provided. For our insurance agency business, commission income was recognized when coverage became effective, the premium due under the policy was known or could be reasonably estimated, and substantially all required services related to placing the insurance had been provided. Broker commission adjustments and commissions on premiums billed directly by underwriters were recognized when such amounts could be reasonably estimated.

Global Index Group

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

Market Technology Revenues

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

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

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

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

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

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NASDAQ OMX s Operating Results

Key Drivers

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

	Year Ended December 31, 2011	2010	2009
Market Services			
Cash Equity Trading			
NASDAQ securities			
Average daily share volume (in billions)	2.02	2.19	2.24
Matched market share executed on NASDAQ	27.7%	28.6%	33.0%
Matched market share executed on NASDAQ OMX BX	2.1%	2.9%	1.4%
Matched market share executed on NASDAQ OMX PSX	1.1%	0.1%	
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	30.9%	35.5%	36.6%
Total market share[(1)]	61.7%	67.1%	71.0%
NYSE securities			
Average daily share volume (in billions)	4.34	4.83	5.64
Matched market share executed on NASDAQ	13.4%	13.7%	15.7%
Matched market share executed on NASDAQ OMX BX	2.3%	3.6%	1.9%
Matched market share executed on NASDAQ OMX PSX	0.7%	0.1%	
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	27.7%	31.3%	32.1%
Total market share[(1)]	44.0%	48.7%	49.6%
NYSE Amex and regional securities			
Average daily share volume (in billions)	1.47	1.45	1.89
Matched market share executed on NASDAQ	18.7%	20.7%	24.4%
Matched market share executed on NASDAQ OMX BX	1.9%	3.1%	1.4%
Matched market share executed on NASDAQ OMX PSX	1.8%	0.1%	
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	25.9%	28.7%	32.1%
Total market share[(1)]	48.3%	52.6%	57.9%
Total U.S.-listed securities			
Average daily share volume (in billions)	7.84	8.47	9.77
Matched share volume (in billions)	419.6	475.0	566.6
Matched market share executed on NASDAQ	18.1%	18.8%	21.3%
Matched market share executed on NASDAQ OMX BX	2.1%	3.3%	1.7%
Matched market share executed on NASDAQ OMX PSX	1.0%	0.1%	
NASDAQ OMX Nordic and NASDAQ OMX Baltic securities			
Average daily number of equity trades	370,295	284,840	212,465
Average daily value of shares traded (in billions)	$ 3.7	$ 3.3	$ 3.1
Derivative Trading and Clearing			
U.S. Equity Options			
Total industry average daily volume (in millions)	16.8	14.3	13.4
NASDAQ OMX PHLX matched market share	23.1%	23.4%	17.9%
The NASDAQ Options Market matched market share	4.6%	4.0%	3.1%
NASDAQ OMX Nordic and NASDAQ OMX Baltic			
Average Daily Volume:			
Options, futures and fixed-income contracts	458,547	428,523	329,350
Nordic equity option contracts traded on EDX[(2)]			95,374

Finnish option contracts traded on EUREX	99,394	117,450	77,312
NASDAQ OMX Commodities			
Clearing Turnover:			
Power contracts (TWh)[(3)]	1,747	2,108	2,162
Carbon contracts (1000 tCO2)[(3)]	61,569	31,500	45,765

	Year Ended December 31, 2011	2010	2009
Issuer Services			
Initial public offerings:			
NASDAQ	78	89	33
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic	9	11	1
New listings:			
NASDAQ[(4)]	151	195	131
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic[(5)]	34	25	12
Number of listed companies:			
NASDAQ[(6)]	2,680	2,778	2,852
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic[(7)]	776	780	797
Market Technology			
Order intake (in millions)[(8)]	$ 134	$ 160	$ 204
Total order value (in millions)[(9)]	$ 458	$ 495	$ 417

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

(2) In December 2009, derivative volume was transferred to NASDAQ OMX from EDX.

(3) Primarily transactions executed on Nord Pool and reported for clearing to NASDAQ OMX Commodities measured by Terawatt hours (TWh) and one thousand metric tons of carbon dioxide (1000 tCO2).

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

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

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

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

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

(9) Represents total contract value of orders signed that are yet to be recognized as revenue. Market Technology deferred revenue, as discussed in Note 7, Deferred Revenue to the consolidated financial statements, represents cash payments received that are yet to be recognized as revenue for these signed orders.

Segment Operating Results

Of our total 2011 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,690 million, 67.4% was from our Market Services segment, 21.8% was from our Issuer Services segment and 10.8% was from our Market Technology segment. Of our total 2010 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,522 million, 67.3% was from our Market Services segment, 22.6% was from our Issuer Services segment, 10.0% was from our Market Technology segment and 0.1% related to other revenues. Of our total 2009 revenues less transaction rebates, brokerage, clearance and exchange fees of $1,453 million, 67.2% was from our Market Services segment, 22.7% was from our Issuer Services segment, 10.0% was from our Market Technology segment and 0.1% related to other revenues.

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

	Year Ended December 31,			Percentage Change	
	2011	2010 (in millions)	2009	2011 vs. 2010	2010 vs. 2009
Market Services	$ 2,886	$ 2,700	$ 2,934	6.9%	(8.0)%
Cost of revenues	(1,748)	(1,675)	(1,958)	4.4%	(14.5)%
Market Services revenues less transaction rebates, brokerage, clearance and exchange fees	1,138	1,025	976	11.0%	5.0%
Issuer Services	369	344	330	7.3%	4.2%
Market Technology	183	152	145	20.4%	4.8%
Other		1	2	#	(50.0)%
Total revenues less transaction rebates, brokerage, clearance and exchange fees	$ 1,690	$ 1,522	$ 1,453	11.0%	4.7%

# Denotes a variance equal to 100.0%.

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MARKET SERVICES

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

	Year Ended December 31,			Percentage Change	
	2011	2010 (in millions)	2009	2011 vs. 2010	2010 vs. 2009
Transaction Services					
Cash Equity Trading Revenues:					
U.S. cash equity trading[1]	$ 1,617	$ 1,600	$ 2,010	1.1%	(20.4)%
Cost of revenues:					
Transaction rebates	(1,087)	(1,094)	(1,394)	(0.6)%	(21.5)%
Brokerage, clearance and exchange fees[1]	(375)	(341)	(467)	10.0%	(27.0)%
Total U.S. cash equity cost of revenues	(1,462)	(1,435)	(1,861)	1.9%	(22.9)%
U.S. cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees	155	165	149	(6.1)%	10.7%
European cash equity trading	93	90	95	3.3%	(5.3)%
Total cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees	248	255	244	(2.7)%	4.5%
Derivative Trading and Clearing Revenues:					
U.S. derivative trading and clearing[2]	471	390	232	20.8%	68.1%
Cost of revenues:					
Transaction rebates	(257)	(218)	(81)	17.9%	#
Brokerage, clearance and exchange fees[2]	(29)	(22)	(16)	31.8%	37.5%
Total U.S. derivative trading and clearing cost of revenues	(286)	(240)	(97)	19.2%	#
U.S. derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees	185	150	135	23.3%	11.1%
European derivative trading and clearing	128	115	87	11.3%	32.2%
Total derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees	313	265	222	18.1%	19.4%
Access Services Revenues	223	173	144	28.9%	20.1%
Total Transaction Services revenues less transaction rebates, brokerage, clearance and exchange fees	784	693	610	13.1%	13.6%
Market Data Revenues:					
Net U.S. tape plans	115	117	128	(1.7)%	(8.6)%
U.S. market data products	135	126	119	7.1%	5.9%
European market data products	83	70	78	18.6%	(10.3)%
Total Market Data revenues	333	313	325	6.4%	(3.7)%

Broker Services Revenues	19	15	32	26.7%	(53.1)%
Other Market Services Revenues	2	4	9	(50.0)%	(55.6)%
Total Market Services revenues less transaction rebates, brokerage, clearance and exchange fees	$ 1,138	$ 1,025	$ 976	11.0%	5.0%

# Denotes a variance greater than 100.0%.

(1) Includes Section 31 fees of $304 million in 2011, $252 million in 2010 and $314 million in 2009. Section 31 fees are recorded as U.S. cash equity trading revenues with a corresponding amount recorded in cost of revenues.

(2) Includes Section 31 fees of $26 million in 2011, $19 million in 2010 and $14 million in 2009. Section 31 fees are recorded as U.S. derivative trading and clearing revenues with a corresponding amount recorded in cost of revenues.

Transaction Services

Transaction Services revenues less transaction rebates, brokerage, clearance and exchange fees increased in both 2011 compared with 2010 and 2010 compared with 2009. The increases were primarily due to increases in derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees and access services revenues. The increase in 2011 was partially offset by lower cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees. An increase in cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees also contributed to the increase in 2010.

U.S. Cash Equity Trading Revenues

U.S. cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees decreased in 2011 compared with 2010 and increased in 2010 compared with 2009. The decrease in 2011 was primarily due to a decline in industry trading volumes, as well as a decline in our matched market share, partially offset by modified rates. The increase in 2010 was primarily due to modified rates and lower tiered rebate payouts, partially offset by a significant decline in industry trading volumes and a decline in our matched market share.

U.S. cash equity trading revenues increased in 2011 compared with 2010 and decreased in 2010 compared with 2009. The increase in 2011 was primarily due to an increase in Section 31 pass-through fee revenues and modified rates, partially offset by a decline in industry trading volumes and a decline in our matched market share. The decrease in 2010 was primarily due to a significant decline in industry trading volumes, a decrease in Section 31 pass-through fee revenues charged by us to our customers and a decline in our matched market share.

We record Section 31 fees as U.S. cash equity trading revenues with a corresponding amount recorded as cost of revenues. We are assessed these fees from the SEC and pass them through to our customers in the form of incremental fees. Pass-through fees can increase or decrease due to rate changes by the SEC, our percentage of the overall industry volumes processed on our systems, and differences in actual dollar value of shares traded. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on our revenues less transaction rebates, brokerage, clearance and exchange fees. Section 31 fees were $304 million in 2011, $252 million in 2010 and $314 million in 2009. The increase in 2011 compared with 2010 was primarily due to an increase in Section 31 fee rates in 2011, partially offset by lower dollar value traded on the NASDAQ and NASDAQ OMX BX trading systems. The decrease in 2010 compared with 2009 was primarily due to lower Section 31 fee rates and lower dollar value traded on NASDAQ and NASDAQ OMX BX s trading systems.

For NASDAQ and NASDAQ OMX PSX, we credit a portion of the per share execution charge to the market participant that provides the liquidity and for NASDAQ OMX BX, we credit a portion of the per share execution charge to the market participant that takes the liquidity. These transaction rebates decreased in both 2011 compared with 2010 and 2010 compared with 2009. The decrease in 2011 was primarily due to a decline in industry trading volumes, as well as a decline in our matched market share, partially offset by higher average rebate rates due to changes in our pricing program on the NASDAQ, NASDAQ OMX BX and NASDAQ OMX PSX trading systems. The decrease in 2010 was primarily due to declines in matched share volume on NASDAQ s trading system due to a significant decline in industry volumes, lower tiered rebate payouts and a decline in our matched market share.

Brokerage, clearance and exchange fees increased in 2011 compared with 2010 and decreased in 2010 compared with 2009. The increase in 2011 was primarily due to an increase in Section 31 pass-through fees, partially offset by a decrease in the amount of volume routed by NASDAQ due to declines in industry trading volumes and in our matched market share. The decrease in 2010 was primarily due to a decrease in Section 31 pass-through fees, lower routing costs, and a decrease in the amount of volume routed by NASDAQ due to declines in industry trading volumes.

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European Cash Equity Trading Revenues

European cash equity trading revenues include trading revenues from equity products traded on the NASDAQ OMX Nordic and NASDAQ OMX Baltic exchanges and NEURO (for periods prior to closing our NEURO business). European cash equity trading revenues increased in 2011 compared with 2010 and decreased in 2010 compared with 2009. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $7 million, partially offset by a decrease in trading activity. The decrease in 2010 was primarily due to revised trading fees introduced in the first quarter of 2010, partially offset by an increase in trading activity and a favorable impact from foreign exchange of $2 million.

U.S. Derivative Trading and Clearing Revenues

U.S. derivative trading and clearing revenues and revenues less transaction rebates, brokerage, clearance and exchange fees increased in both 2011 compared with 2010 and 2010 compared with 2009. The increases were primarily due to increases in industry trading volumes and our matched market share. The increase in 2010 was partially offset by lower average net fees for traded contracts.

The increase in U.S. derivative trading and clearing revenues in both 2011 compared with 2010 and 2010 compared with 2009 was also due to higher Section 31 pass-through fee revenues as discussed below.

Similar to U.S. cash equity trading, Section 31 fees are recorded as derivative trading and clearing revenues with a corresponding amount recorded as cost of revenues. We are assessed these fees from the SEC and pass them through to our customers in the form of incremental fees. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on our revenues less transaction rebates, brokerage, clearance and exchange fees. Section 31 fees were $26 million in 2011, $19 million in 2010 and $14 million 2009. The increase in both 2011 and 2010 compared with the prior year periods is primarily due to an increase in dollar value traded and higher Section 31 fee rates.

Transaction rebates, in which we credit a portion of the per share execution charge to the market participant, increased in both 2011 compared with 2010 and 2010 compared with 2009. The increase in 2011 was primarily due to increases in industry trading volumes and market share. The increase in 2010 was primarily due to a revised fee structure implemented in the first quarter of 2010 along with higher volumes traded and an increase in our matched market share.

Brokerage, clearance and exchange fees increased in both 2011 compared with 2010 and 2010 compared with 2009. The increases were primarily due to an increase in Section 31 pass-through fees.

European Derivative Trading and Clearing Revenues

European derivative trading and clearing revenues include trading and clearing revenues from derivative products traded on NASDAQ OMX Stockholm and NASDAQ OMX Copenhagen, clearing revenues from resale and repurchase agreements on NASDAQ OMX Stockholm and revenues from NASDAQ OMX Commodities. Beginning in May 2010, trading and clearing revenues for energy and carbon products include revenues from Nord Pool. European derivative trading and clearing revenues increased in both 2011 compared with 2010 and 2010 compared with 2009. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $11 million, partially offset by lower trading activity in energy products. The increase in 2010 was primarily due to higher trading and clearing revenues due to the transfer of derivative volume from EDX to NASDAQ OMX in the fourth quarter of 2009. Also contributing to the increase in 2010 was transaction activity associated with clearing resale and repurchase agreements, which was launched in the fourth quarter of 2010, and a favorable impact from foreign exchange of $5 million.

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

	Year Ended December 31,			Percentage Change	
	2011	2010 (in millions)	2009	2011 vs. 2010	2010 vs. 2009
European Derivative Trading and Clearing Revenues:					
Options and futures contracts	$ 55	$ 49	$ 33	12.2%	48.5%
Energy and carbon products	45	41	35	9.8%	17.1%
Fixed-income products	22	18	14	22.2%	28.6%
Other revenues and fees	6	7	5	(14.3)%	40.0%
Total European Derivative Trading and Clearing revenues	$ 128	$ 115	$ 87	11.3%	32.2%

Access Services Revenues

Access Services revenues increased in both 2011 compared with 2010 and 2010 compared with 2009. The increase in 2011 was primarily due to an increase in revenues from FTEN, which was acquired in December 2010, and increased demand for services. The increase in 2010 was primarily due to increased demand for co-location and network connectivity services and a revised fee structure for access services.

Market Data

Market Data revenues increased in 2011 compared with 2010 and decreased in 2010 compared with 2009. The increase in 2011 was primarily due to increases in U.S. and European market data products revenues and a favorable impact from foreign exchange, partially offset by a decrease in net U.S. tape plans revenues. The decrease in 2010 was primarily due to decreases in net U.S. tape plans revenues and European market data products revenues, partially offset by an increase in U.S. market data products revenues.

Net U.S. Tape Plans Revenues

The decline in net U.S. tape plans revenues in 2011 compared with 2010 was primarily due to lower plan shareable revenues and declines in NASDAQ s trading and quoting market share of U.S. cash equities, as calculated under the SEC-mandated market data revenue quoting and trading formula. The decline in net U.S. tape plans revenues in 2010 compared with 2009 was primarily due to declines in NASDAQ s trading and quoting market share of U.S. cash equities, as calculated under the SEC-mandated market data revenue quoting and trading formula, and reductions in the size of the tape plan revenue pools mainly driven by declines in subscriber populations.

U.S. Market Data Products Revenues

The increase in U.S. market data products revenues in 2011 compared with 2010 was primarily due to higher customer demand for proprietary data products, mainly index data, and higher audit fees. The increase in U.S. market data products revenues in 2010 compared with 2009 was primarily due to growth of new products such as BX TotalView, options data feeds and mutual fund products, partially offset by discontinued products.

European Market Data Products Revenues

The increase in European market data products revenues in 2011 compared with 2010 was primarily due to modified fees for market data products and a favorable impact from foreign exchange of $6 million. The decrease in European market data products revenues in 2010 compared with 2009 was primarily due to declines in subscriber populations and discontinued products, partially offset by modified fees for market data products and a favorable impact from foreign exchange of $1 million.

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Broker Services

Broker Services revenues increased in 2011 compared with 2010 and decreased in 2010 compared with 2009. The increase in 2011 is primarily due to new customers and a favorable impact from foreign exchange of $2 million. The decrease in 2010 was primarily due to the sale of our Broker Services operations in the United Kingdom to TD Waterhouse in November 2009.

ISSUER SERVICES

The following table shows revenues from our Issuer Services segment:

	Year Ended December 31,			Percentage Change	
	2011	2010 (in millions)	2009	2011 vs. 2010	2010 vs. 2009
Global Listing Services Revenues:					
Annual renewal	$ 118	$ 113	$ 117	4.4%	(3.4)%
Listing of additional shares	39	39	37		5.4%
Initial listing	16	18	20	(11.1)%	(10.0)%
Total U.S. listing services	173	170	174	1.8%	(2.3)%
European listing services	54	49	45	10.2%	8.9%
Corporate Solutions	90	78	72	15.4%	8.3%
Total Global Listing Services revenues	317	297	291	6.7%	2.1%
Global Index Group Revenues	52	47	39	10.6%	20.5%
Total Issuer Services revenues	$ 369	$ 344	$ 330	7.3%	4.2%

Global Listing Services

Global Listing Services revenues increased in both 2011 compared with 2010 and 2010 compared with 2009. The increases in both 2011 and 2010 were primarily due to increases in Corporate Solutions and European listing services revenues.

European listing services revenues increased in both 2011 compared with 2010 and 2010 compared with 2009. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $5 million. The increase in 2010 was primarily due to an increase in the market capitalization of Nordic issuers, partially offset by a decrease in the number of listed companies from 797 as of December 31, 2009 to 780 as of December 31, 2010. European listing services revenues are recognized ratably over a 12-month period.

Corporate Solutions revenues increased in both 2011 compared with 2010 and 2010 compared with 2009 primarily due to expanding customer utilization of Shareholder.com, Directors Desk and GlobeNewswire, as well as revenues from ZVM, which was acquired in December 2010, and

Glide Technologies, which was acquired in October 2011. Partially offsetting the increase in 2010 was a decrease in Carpenter Moore revenues primarily due to the sale of substantially all of our Carpenter Moore insurance agency business in October 2009.

Global Index Group Revenues

Global Index Group revenues increased in both 2011 compared with 2010 and 2010 compared with 2009 primarily due to an increase in underlying assets associated with NASDAQ OMX-licensed ETFs, as well as additional demand for new licensed ETFs and other financial products, partially offset by lower futures and options volumes.

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MARKET TECHNOLOGY

The following table shows revenues from our Market Technology segment:

	Year Ended December 31, 2011	2010 (in millions)	2009	Percentage Change 2011 vs. 2010	2010 vs. 2009
Market Technology:					
License, support and facility management	$ 115	$ 103	$ 106	11.7%	(2.8)%
Delivery project	24	17	20	41.2%	(15.0)%
Change request, advisory and broker surveillance	44	32	19	37.5%	68.4%
Total Market Technology revenues	$ 183	$ 152	$ 145	20.4%	4.8%

Market Technology revenues increased in both 2011 compared with 2010 and 2010 compared with 2009. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $18 million, as well as operational increases in change request, advisory and broker surveillance revenues and delivery project revenues. The increase in 2010 was primarily due to an increase in change request, advisory and broker surveillance revenues, partially offset by decreases in delivery project revenues and license, support and facility management revenues.

License, Support and Facility Management Revenues

License, support and facility management revenues increased in 2011 compared with 2010 and decreased in 2010 compared with 2009. The increase in 2011 was primarily due to a favorable impact from foreign exchange of $12 million. The decrease in 2010 was primarily due to a decrease in facility management revenues due to the loss of facility management customers. Partially offsetting this decrease was an increase in support revenues resulting from our acquisition of SMARTS in August 2010, clients entering the support stage of their contracts and a favorable impact from foreign exchange of $6 million in 2010.

Delivery Project Revenues

Delivery project revenues increased in 2011 compared with 2010 and decreased in 2010 compared with 2009. The increase in 2011 was primarily due to the recognition of previously deferred revenues in the current periods, as well as a favorable impact from foreign exchange of $2 million. The decrease in 2010 was primarily due to higher deliveries of market technology contracts during 2009, partially offset by a favorable impact from foreign exchange of $1 million in 2010. Delivery project revenues are derived from the system solutions developed and sold by NASDAQ OMX. Total revenues, as well as costs incurred, are typically deferred until the customization and any significant modifications are completed and are then recognized over the post contract support period.

Change Request, Advisory and Broker Surveillance Revenues

Change request, advisory and broker surveillance revenues increased in both 2011 compared with 2010 and 2010 compared with 2009. The increases were primarily due to an increase in broker surveillance revenues resulting from our acquisition of SMARTS in August 2010. The increase in 2010 was also due to higher change request activity. In addition, there was a favorable impact from foreign exchange of $4 million in 2011.

Total Order Value

As of December 31, 2011, total order value, which represents the total contract value of orders signed that are yet to be recognized as revenues, was $458 million. Market Technology deferred revenue of $128 million, which is included in this amount, represents cash payments received that are yet to be recognized as revenue for

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these signed orders. See Note 7, Deferred Revenue, to the consolidated financial statements for further discussion. The recognition and timing of these revenues depends on many factors, including those that are not within our control. As such, the following table of Market Technology revenues to be recognized in the future represents our best estimate:

	Total Order Value (in millions)
Fiscal year ended:	
2012	$ 141
2013	117
2014	77
2015	59
2016	39
2017 and thereafter	25
Total	$ 458

Expenses

Operating Expenses

The following table shows our operating expenses:

	Year Ended December 31, 2011	2010 (in millions)	2009	Percentage Change 2011 vs. 2010	2010 vs. 2009
Compensation and benefits	$ 458	$ 412	$ 408	11.2%	1.0%
Marketing and advertising	24	20	15	20.0%	33.3%
Depreciation and amortization	109	103	104	5.8%	(1.0)%
Professional and contract services	90	78	76	15.4%	2.6%
Computer operations and data communications	65	58	58	12.1%	
Occupancy	91	88	81	3.4%	8.6%
Regulatory	35	35	32		9.4%
Merger and strategic initiatives	38	4	17	#	(76.5)%
General, administrative and other	84	93	59	(9.7)%	57.6%
Total operating expenses	$ 994	$ 891	$ 850	11.6%	4.8%

# Denotes a variance greater than 100.0%.

Total operating expenses increased $103 million in 2011 compared with 2010 and $41 million in 2010 compared with 2009. The increase in 2011 reflects an operational increase of $69 million and an unfavorable impact from foreign exchange of $34 million. The operational increase of $69 million in 2011 was primarily due to an increase in merger and strategic initiatives expenses, compensation and benefits expense, professional and contract services expense, marketing and advertising expense, and computer operations and data communications expense, partially offset by a decrease in general, administrative and other expense. The increase in 2010 reflects an operational increase of $27 million and an unfavorable impact from foreign exchange of $14 million. The operational increase of $27 million in 2010 was primarily due to an increase in general, administrative and other expense for charges incurred in connection with the January 2010 repayment of our senior secured credit facilities in place as of December 31, 2009, partially offset by asset retirements in the third quarter of 2009 related to obsolete technology assets.

Compensation and benefits expense increased in both 2011 compared with 2010 and 2010 compared with 2009. The increase in 2011 was primarily due to an increase in salary expense from SMARTS, FTEN and ZVM, which were acquired in the second half of 2010, and Glide Technologies, which was acquired in October 2011,

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and higher compensation expenses reflecting stronger financial performance, as well as an unfavorable impact from foreign exchange of $17 million. Compensation and benefits expense in 2010 compared with 2009 reflects an unfavorable impact from foreign exchange of $7 million and higher compensation expenses reflecting stronger financial performance, partially offset by a decrease in salary expense primarily due to the sale of substantially all of our Carpenter Moore insurance agency business and our Broker Services operations in the United Kingdom in the fourth quarter of 2009. Headcount, including staff employed at consolidated entities where we have a controlling financial interest, increased to 2,433 employees at December 31, 2011 from 2,395 employees at December 31, 2010 and 2,235 employees at December 31, 2009. The increase in headcount in 2011 compared with 2010 was primarily due to our acquisition of Glide Technologies. The increase in headcount in 2010 compared with 2009 was primarily due to our acquisitions of SMARTS, FTEN and ZVM.

Marketing and advertising expense increased in both 2011 compared with 2010 and 2010 compared with 2009. The increase in 2011 was primarily due to increased advertising on behalf of new issuers. The increase in 2010 was primarily due to production and media costs of a television advertisement campaign, as well as increased advertising on behalf of new issuers.

Depreciation and amortization expense increased in 2011 compared with 2010 and decreased slightly in 2010 compared with 2009. The increase in 2011 was primarily due to an unfavorable impact from foreign exchange of $4 million, as well as additional depreciation and amortization expense as a result of our acquisitions of SMARTS, FTEN and ZVM, which were acquired in the second half of 2010, and Glide Technologies, which was acquired in October 2011.

Professional and contract services expense increased in both 2011 compared with 2010 and 2010 compared with 2009. The increase in 2011 was primarily due to costs incurred for information technology security consultants and an unfavorable impact from foreign exchange of $3 million. The increase in 2010 was primarily due to an unfavorable impact from foreign currency of $1 million.

Computer operations and data communications expense increased in 2011 compared with 2010 and remained flat in 2010 compared with 2009. The increase in 2011 was primarily due to our acquisitions of SMARTS, FTEN and ZVM, which were acquired in the second half of 2010, and an unfavorable impact from foreign exchange of $3 million.

Occupancy expense increased in both 2011 compared with 2010 and 2010 compared with 2009. The increase in 2011 was primarily due to an unfavorable impact from foreign exchange of $3 million. The increase in 2010 was primarily due to an increase in co-location rent related to the build-out of our data centers, a $5 million sublease loss reserve recorded in 2010 due to our decision to vacate space we currently lease in Philadelphia, San Francisco and London, and an unfavorable impact from foreign exchange of $1 million. Partially offsetting these increases in 2010 was an $8 million sublease loss reserve recorded in 2009 on the space we occupy in Stockholm, Sweden.

Regulatory expense remained flat in 2011 compared with 2010 and increased in 2010 compared with 2009. The increase in 2010 was primarily due to outsourcing the regulation of NASDAQ OMX PHLX to FINRA in 2010. FINRA provides regulatory services to The NASDAQ Stock Market, The NASDAQ Options Market, NASDAQ OMX PHLX, NASDAQ OMX PSX and the markets operated and regulated by NASDAQ OMX BX, including the regulation of trading activity and surveillance and investigative functions.

Merger and strategic initiatives expense was $38 million in 2011 compared with $4 million in 2010 and $17 million in 2009. Merger and strategic initiatives expense for 2011 primarily related to costs incurred for advisors, bank commitment fees, legal and other professional services related to our joint proposal to acquire NYSE Euronext, as well as costs related to our acquisition of Glide Technologies in October 2011. Merger and strategic initiatives expense for 2010 included legal and consulting costs related to our acquisitions of SMARTS and FTEN and costs related to strategic initiatives. Merger and strategic initiatives expense for 2009 was directly

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attributable to the business combination with OMX AB and the acquisition of PHLX, but did not qualify as purchase accounting adjustments. The costs primarily included consulting and legal costs related to our integration of OMX AB and PHLX. Merger expenses in 2009 also included costs related to sales and use tax exposures that existed on previous acquisitions.

General, administrative and other expense was $84 million in 2011 compared with $93 million in 2010 and $59 million in 2009. General, administrative and other expense for 2011 included a pre-tax charge of $25 million related to the write-off of a portion of the unamortized balance of debt issuance costs and debt discount related to the repayment of $335 million of the aggregate principal amount outstanding of the 2013 Convertible Notes, that was completed in October 2011, a pre-tax charge of $6 million related to the write-off of the remaining unamortized balance of debt issuance costs related to the $700 million senior unsecured term loan facility that was repaid in September 2011, as well as an unfavorable impact from foreign exchange of $4 million. General, administrative and other expense for 2010 included a pre-tax charge of $40 million, which included the write-off of the remaining unamortized balance of debt issuance costs of $28 million incurred in conjunction with our senior secured credit facilities in place as of December 31, 2009, costs to terminate our float-to-fixed interest rate swaps previously designated as a cash flow hedge of $9 million and other costs of $3 million. General, administrative and other expense for 2009 included asset retirements of $10 million related to obsolete technology assets, partially offset by the recognition of pre-tax gains of $4 million on the early extinguishment of debt, net of debt issuance and other costs.

Non-operating Income and Expenses

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

	Year Ended December 31,			Percentage Change	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
		(in millions)			
Interest income	$ 11	$ 9	$ 13	22.2%	(30.8)%
Interest expense	(119)	(102)	(102)	16.7%	
Net interest expense	(108)	(93)	(89)	16.1%	4.5%
Dividend and investment income	1	(3)	2	#	#
Asset impairment charge	(18)			#	
Loss on divesture of businesses		(11)		#	#
Income (loss) from unconsolidated investees, net	2	2	(107)		#
Debt conversion expense			(25)		#
Loss on sale of investment security			(5)		#
Gain on sales of businesses			12		#
Total non-operating expenses	$ (123)	$ (105)	$ (212)	17.1%	(50.5)%

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

Total non-operating expenses were $123 million in 2011 compared with $105 million in 2010 and $212 million in 2009. Total non-operating expenses for 2011 primarily include net interest expense of $108 million and a pre-tax impairment charge of $18 million on our investment security in DFM. Total non-operating expenses for 2010 primarily include net interest expense and a pre-tax loss on divesture of businesses. Total non-operating expenses for 2009 primarily include net interest expense, as well as pre-tax impairment charges on unconsolidated investees, debt conversion expense, and a loss on the sale of an investment security, partially offset by a gain on sale of businesses.

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Interest Income

Interest income increased in 2011 compared with 2010 and decreased in 2010 compared with 2009. The increase in 2011 was primarily due to an increase in cash and cash equivalents in 2011 and a favorable impact from foreign exchange of $1 million. The decrease in 2010 was primarily due to lower average interest rates earned on our short term investments included in cash and cash equivalents, as well as on financial investments, at fair value in our Consolidated Balance Sheets.

Interest Expense

Interest expense for 2011 was $119 million, and was comprised of $97 million of interest expense, $13 million of non-cash expense associated with accretion of debt discounts, $6 million of non-cash debt issuance amortization expense, and $3 million of other bank and investment-related fees. Interest expense increased in 2011 compared with 2010 primarily due to higher average outstanding debt obligations in 2011 resulting from the issuance of our 2018 Notes in December 2010 to partially finance the repurchase of shares. See Note 8, Debt Obligations, to the consolidated financial statements for further discussion of our debt obligations.

Interest expense for 2010 was $102 million, and was comprised of $81 million in interest expense, $14 million of non-cash expense associated with accretion of debt discounts and $7 million in non-cash debt issuance amortization expense. Interest expense remained flat in 2010 compared with 2009 as decreases in interest expense due to lower average outstanding debt obligations in 2010 resulting from principal amortization payments made in 2009 and 2010 and repurchases of our debt during 2009 were offset by increases in interest expense due to higher average interest rates on our debt obligations.

Dividend and Investment Income

Dividend and investment income increased in 2011 compared with 2010 and decreased in 2010 compared with 2009. The increase in 2011 was primarily due to an increase in the fair value of our government debt securities portfolio as a result of decreased interest rates. The decrease in 2010 was primarily due to a decrease in the fair value of our government debt securities portfolio as a result of increased interest rates.

Asset Impairment Charge

In the fourth quarter of 2011, we recorded a non-cash, other-than-temporary impairment charge of $18 million related to our available-for-sale investment security in DFM. See Investment in DFM, of Note 5, Investments, to the consolidated financial statements for further discussion.

Loss on Divestiture of Businesses

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

Income (Loss) from Unconsolidated Investees, net

Net income from unconsolidated investees of $2 million in both 2011 and 2010 was related to our share in the earnings and losses of our equity method investments. The net loss in 2009 of $107 million was primarily due to impairment charges related to our investments in NASDAQ Dubai and Agora-X and the sale of our shares in Orc Software AB, or Orc. See below for further discussion.

Impairment of NASDAQ Dubai

In December 2009, we agreed to participate in the realignment of the ownership structure of NASDAQ Dubai. The realignment was completed in May 2010 and at that time, NASDAQ Dubai became a wholly-owned

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subsidiary of DFM, a publicly traded company controlled by Borse Dubai. We received a 1% equity interest in DFM in exchange for our equity interest in NASDAQ Dubai. Our existing technology and trademark licensing arrangements with Borse Dubai and NASDAQ Dubai remained unchanged.

In connection with the realignment of the ownership structure discussed above, a third-party specialist determined the fair value of NASDAQ Dubai. Based on this valuation, we determined our carrying value of NASDAQ Dubai was no longer recoverable and was in fact impaired, and we wrote down our investment to fair value which resulted in an $82 million pre-tax, non-cash impairment charge for the year ended December 31, 2009.

At the time of the realignment in May 2010, we recorded a pre-tax, non-cash loss of $1 million in income (loss) from unconsolidated investees, net in the Consolidated Statements of Income, which was based on the difference between the price of DFM common stock multiplied by the number of shares of DFM acquired and the carrying value of our investment in NASDAQ Dubai at the time of the exchange.

NASDAQ OMX originally contributed intangible assets and $50 million in cash to NASDAQ Dubai in exchange for a 33 $^{1}/3$% equity stake in NASDAQ Dubai in February 2008. At that time, NASDAQ OMX valued its total NASDAQ Dubai investment at $128 million. Prior to the impairment, the investment had a carrying value of $120 million.

Impairment of Agora-X

In December 2009, we entered into an agreement to increase our investment in Agora-X from 20% to 85%. In evaluating the fair value of the total investment, it was determined that our carrying value of Agora-X was no longer recoverable and was in fact impaired, and we wrote down our investment to fair value which resulted in a pre-tax, non-cash impairment charge of $5 million.

Sale of Orc Shares

During the second quarter of 2009, we sold our shares in Orc, representing 25.25% of the share capital of Orc, to a group of Swedish and other international investors for $54 million in cash. As a result of the sale, we recognized a $19 million loss, which is net of costs directly related to the sale, primarily broker fees.

Debt Conversion Expense

In the third quarter of 2009, we recorded debt conversion expense of $25 million related to an inducement for conversion of most of the 3.75% convertible notes into common stock. The $25 million expense included a cash inducement of $9 million, the present value of the series A convertible preferred stock issued of $15 million, and debt issuance and other costs of $1 million. See Preferred Stock, of Note 12, NASDAQ OMX Stockholders Equity, to the consolidated financial statements for further discussion.

Loss on Sale of Investment Security

In connection with our business combination with OMX AB, we acquired a long-term available-for-sale investment in Oslo Børs Exchange, or Oslo. During the second quarter of 2009, we made a strategic decision to sell this investment, demonstrating our intent to no longer hold this investment, and recorded a $5 million loss, which is net of costs directly related to the sale, primarily broker fees.

Gain on Sales of Businesses

In October 2009, we sold substantially all of our Carpenter Moore insurance agency business. Certain assets of the western region direct practice insurance brokerage business were sold to Woodruff-Sawyer & Co. and the eastern region insurance brokerage business was sold to Aon Risk Services Companies, Inc. In connection with these sales, we recorded a gain of $7 million.

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In November 2009, we sold our Broker Services operations in the United Kingdom to TD Waterhouse and recorded a gain of $5 million.

Income Taxes

NASDAQ OMX s income tax provision was $190 million in 2011 compared with $137 million in 2010 and $128 million in 2009. The overall effective tax rate was 33.2% in 2011, 26.0% in 2010 and 32.7% in 2009. The increase in the effective tax rate in 2011 when compared with 2010 was due to the impact of changes in tax laws in certain jurisdictions where NASDAQ OMX operates. Furthermore, in the third quarter of 2011, we recorded significant adjustments due to provision-to-tax return adjustments related to our 2010 tax return liabilities and a corresponding effect on deferred tax liabilities. The lower effective tax rate in 2010 when compared with 2009 was primarily due to the restructuring of certain NASDAQ OMX subsidiaries. Also, 2010 results included reductions in deferred tax liabilities due to a revised effective tax rate.

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

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

NASDAQ OMX and its eligible subsidiaries file a consolidated U.S. federal income tax return and applicable state and local income tax returns and non-U.S. income tax returns. Federal income tax returns for the years 2008 and 2009 are currently under audit by the Internal Revenue Service. The review of federal income tax returns for the years 2007 and 2010 is expected to commence in 2012. Several state tax returns are currently under examination by the respective tax authorities for the years 2000 through 2009 and we are subject to examination for 2010. Non-U.S. tax returns are subject to review by the respective tax authorities for the years 2003 through 2010. In 2011, we settled audits with various taxing jurisdictions and paid a total of $1 million with respect to the years 2006 through 2009. Since this amount was included in our unrecognized tax benefits as of December 31, 2010, such payments did not affect our 2011 effective tax rate. The outcome of these audits did not have a material impact on our financial position or results of operations. We anticipate that the amount of unrecognized tax benefits at December 31, 2011 will significantly decrease in the next twelve months as we expect to settle certain tax audits. The final outcome of such audits cannot yet be determined. We anticipate that such adjustments will not have a material impact on our consolidated financial position or results of operations.

In the fourth quarter of 2010, we received an appeal from the Finnish Tax Authority in which such authority challenges certain interest expense deductions claimed by NASDAQ OMX in Finland for the year 2008. NASDAQ OMX s tax return position with respect to this deduction was previously reviewed and approved by the Finnish Tax Authority. The appeal also demands certain penalties be paid with regard to the company s tax return filing position. If the Finnish Tax Authority prevails in its challenge, additional tax and penalties for the years 2008-2011 would total approximately $23 million. We expect the Finnish Tax Authority to agree with our position once its review is completed and, as such, believe it is unlikely NASDAQ OMX will be assessed any additional tax and penalties. Through December 31, 2011, we have recorded the tax benefits associated with the filing position.

In June 2009, NASDAQ OMX filed an application for an advance tax ruling with the Swedish Tax Council for Advance Tax Rulings. The application was filed to confirm whether certain interest expense is deductible for Swedish tax purposes under legislation that became effective on January 1, 2009. In June 2010, we received a

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favorable response from the Swedish Tax Council for Advance Tax Rulings in which all members of the Council agreed that the interest expense is deductible for Swedish tax purposes. The Swedish Tax Agency appealed the Council s ruling to the Swedish Supreme Administrative Court. In November 2011, the Swedish Supreme Administrative Court rendered a ruling consistent with the favorable ruling from the Swedish Tax Council for Advance Tax Rulings. Since we have recorded all tax benefits associated with this matter, the ruling did not affect our financial position or results of operations.

Net Loss Attributable to Noncontrolling Interests

Net loss attributable to noncontrolling interests was $4 million in 2011 compared with $6 million in 2010 and $3 million in 2009. The losses are primarily attributable to noncontrolling interests in IDCG.

Non-GAAP Financial Measures

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

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

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

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

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

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

Non-GAAP adjustments for the year ended December 31, 2009 primarily related to the following:

(i) merger and strategic initiatives costs directly attributable to the business combination with OMX AB and the acquisition of PHLX, which did not qualify as purchase accounting adjustments, (ii) a gain on early extinguishment of a portion of the 2013 Convertible Notes, net of costs, (iii) a sublease loss reserve charge recorded on the space we occupy in Stockholm, (iv) asset retirement charges primarily related to obsolete technology, (v) workforce reduction costs related to acquisitions, (vi) a debt conversion expense related to an inducement for conversion of most of our 3.75% convertible notes into common stock, (vii) impairment charges related to our investments in NASDAQ Dubai and Agora-X, as well as the sale of our Orc shares, (viii) a loss on the sale of our available-for-sale investment security in Oslo, (ix) a gain on the sale of substantially all of our Carpenter Moore insurance agency business and a gain on the sale of our Broker Services operations in the United Kingdom, (x) an adjustment to the income tax provision to reflect these non-GAAP adjustments, and (xi) significant tax adjustments, net primarily due to reductions in 2008 U.S. tax liabilities based on recent tax return filings and reductions in U.S. tax liabilities for years which are no longer subject to examination.

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

	Year Ended December 31, 2011		Year Ended December 31, 2010		Year Ended December 31, 2009	
	Net Income	Diluted Earnings Per Share	Net Income	Diluted Earnings Per Share	Net Income	Diluted Earnings Per Share
	(in millions, except per share amounts)					
U.S. GAAP net income attributable to NASDAQ OMX and diluted earnings per share	$ 387	$ 2.15	$ 395	$ 1.91	$ 266	$ 1.25
Non-GAAP adjustments:						
Merger and strategic initiatives	38	0.21	4	0.02	17	0.08
Extinguishment of debt	31	0.17	40	0.20	(4)	(0.02)
Sublease reserves						