PARTICIPANTS

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Edward P. Ditmire – Vice President-Investor Relations, The NASDAQ OMX Group, Inc.
Robert Greifeld – Chief Executive Officer & Director, The NASDAQ OMX Group, Inc.
Lee Shavel – Chief Financial Officer & EVP-Corporate Strategy, The NASDAQ OMX Group, Inc.

Other Participants

Richard H. Repetto – Analyst, Sandler O'Neill & Partners LP
Kenneth W. Hill – Analyst, Barclays Capital, Inc.
Daniel T. Fannon – Analyst, Jefferies LLC
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the NASDAQ OMX Fourth Quarter 2013 Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Ed Ditmire, Head of Investor Relations. Sir, you may begin.

Edward P. Ditmire, Vice President-Investor Relations

Good morning, everyone, and thanks for joining us today to discuss NASDAQ OMX's fourth quarter 2013 earnings results. On the line are Bob Greifeld, our CEO; Lee Shavel, our CFO; Ed Knight, General Counsel; and other members of the management team. After prepared remarks, we'll open up the Q&A. The press release and presentation are on our website. We intend to use the website as a means of disclosing material, non-public information and complying with disclosure obligations under SEC Regulation FD.

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

I now will turn the call over to Bob.

Robert Greifeld, Chief Executive Officer & Director

Thank you, Ed, and thank you, everybody for joining us on this very difficult morning. I want to start by saying we're very pleased to announce record fourth quarter 2013 results. It truly caps another exceptional year for our franchise.

While the quarter featured record revenues, non-GAAP net income and non-GAAP EPS, perhaps what is most noteworthy for us is that we achieved this while also making significant strategic investments in our future. The progress and strong performance across our core businesses provides us the flexibility that allows us to make critical investments in our future, such as NLX, our interest rate derivatives exchange in London; NASDAQ Private Market, our offering to help private companies manage their interactions with investors and our Lead to Cash initiative, which we expect to make our back office interactions with our corporate solution customers more efficient while also delivering outstanding results.

When we look at the underlying reasons for our performance in 2013, and in particular the fourth quarter, it is impressive to recognize the progress across all our business segments, clearly highlighting the soundness of our strategy and approach.

Let me highlight some of the major factors contributing to the $1.9 billion record revenue we achieved during the year. We saw a strong performance in Technology Solutions, in particular the doubling of our revenue in corporate solutions to $230 million. We also grew our Market Technology business, which achieved record revenue of $219 million, up 12% year-on-year. In fact, in the fourth quarter, we saw organic growth across all our non-transaction business segments, including Information Services, Technology Solutions and Listing Services, leading to a 5% overall organic revenue growth in the period.

One of the stand-out performance in particular was our Index Licensing and Services group. In 2013, revenue grew to a record $74 million, up 17% year-on-year. We made significant progress diversifying and expanding our product offerings by launching 22,000 new indices. We are now one of the only providers to have licensed products covering every major asset class. Clearly, our diverse, high-quality revenue mix with 73% coming from recurring and subscription sources and over 60% of our trading revenues coming from the derivatives and fixed income categories has been a core driver in the returns we delivered to our shareholders.

Looking at the bottom line, on a non-GAAP basis, fourth quarter 2013 EPS of $0.69 was up 8% versus the prior-year quarter of $0.64 with non-GAAP operating income up 11% year-over-year. More important than the numbers for this quarter and the year 2013 is the fact that our customers, partners and stakeholders fundamentally recognize the substantial and unique value that NASDAQ OMX provides. As I've mentioned on this call before, our objective is to become a well-established provider of a diversified portfolio of services to the financial and corporate community. Given the strength of our competitive position when 96% of our revenue is generated from businesses where we're either number one or number two, we are executing on that strategy quite well.

Now, I want to turn to some of the broad business highlights that define our quarter and the results we delivered, but more importantly how we expanded our capabilities and delivered more value to our customers and also to our shareholders. When we think about the journey this organization has been on since it began over 40 years ago, our technology and expertise in technology have been the drivers behind the value we deliver in the marketplace. As proof of that, as previously mentioned, our Technology Solutions segment had a truly outstanding quarter with record revenues driven by all-time highs in both the Market Tech and Corporate Solutions businesses.

Our Market Technology business was clearly the beneficiary of an increased demand for proven trading, clearing, and risk and compliance solutions. In just the fourth quarter, we saw a 22% growth driven by demand for our advisory services, SMARTS Broker and BWise. Order intake moved to a record $138 million for the quarter. The new partnerships we forged with the exchanges during the quarter and during the year, includes Tadawul, the Saudi Stock Exchange, the largest exchange in the Arab world, Boerse Stuttgart and most recently Borsa Istanbul. There is no doubt we have solidified our competitive position. The record backlog of $655 million shows this progress very clearly. Truly, a remarkable performance and one which underscores the great confidence our customers and partners have in our technology and expertise.

In our Corporate Solutions businesses, we set a new quarterly revenue high, an increase from the prior quarter which is our first full quarter since we integrated the Thomson Reuters IR, PR and Multimedia businesses. Additionally, we are seeing very strong year-on-year growth in products like Directors Desk, our corporate board portal; BWise, our highly regarded GRC solution.

In our view, we've only begun to scratch the surface on the exceptional cross-selling opportunities presented by this business and we expect these opportunities coupled with the product enhancements we have in the pipeline to increase the value we deliver to our customers, further driving the performance of this business.

As you know, at NASDAQ OMX, we are all about seeking ways we can lever technology, partnerships and our expertise to do more for capital markets and help our customers succeed. One of the areas that epitomize that approach during the quarter and in 2013, as previously mentioned, was Index Licensing and Services. We ended the fourth quarter with $92 billion in assets under management, that's truly remarkable, up 44% year-on-year and driving a 25% revenue growth.

More firms are recognizing the compelling value of our multi asset offering. Our goal is to enhance our position as a premier index provider and we intend to continue expanding partnerships with exchange credit product sponsors worldwide to license more of our indices and drive assets under management or AUM well above the highs we've set recently.

We also expect to continue expanding the product menu and capabilities of our Global Index Calculator moving to 28,000 indices at the end of the fourth quarter 2013 and early in the first quarter 2014, we added 13,000 new which brings our total to 41,000 indices, more to come.

All of our European markets experienced a strong fourth quarter. It is important to note that equity trading stood out among all those strong performances. They had 22% year-on-year growth, a combination of significantly improved industry volumes, steady market share and improved revenue capture. We're continuing to enhance our offering to the Nordic Derivatives clearing and in particular this quarter, we have expanded on our interest rate swap clearing to help customers navigate the new regulatory environment and further decrease risk. Our first buy-side clear transactions were, in fact, announced this quarter.

Clearly, one of the more visible ways our value proposition comes to life is through our listings business. In 2013, the IPO market rebounded to levels not seen since 2007, and we saw 126 IPOs come to NASDAQ. Our win rate was 52% in the U.S. And in total, NASDAQ had 239 new listings, up over 50% from the prior year; truly a strong performance.

We also continued to enjoy a dominant share of Biotech with a 98% win rate. Interestingly, NASDAQ also hosted 57% of the best-performing IPOs in 2013. The value we offer resonated with a number of high-profile brands, including IPOs of Sprouts Farmers Market, Norwegian Cruise Line and zulily, to name a few. Notable switches just from the fourth quarter include Marriott and VimpelCom. And additionally, American Airlines chose to list on NASDAQ after the merger of the previous NYSE-listed American Airlines and U.S. Airways.

Continuing this momentum, 2014 is off to a very strong start with 24 new U.S. listings in January, actually double the number we had in January 2013, including 10 IPOs versus 6 in the prior-year period.

As pleased as we are with the performance and the progress of our core businesses, we are never satisfied and are always looking at ways to increase the value we offer to the investment community, our customers and partners, and drive further growth. I want to take a minute to cover some exciting areas we're working on right now. First, on our two material acquisitions which have already become accretive in the first quarters of ownership even though the vast majority of the synergy and value-creation opportunity is still ahead of us. Since completing our acquisition of eSpeed, we have been pleased with our progress as we've made steady improvements for the platform in our drive to deliver industry-best responsiveness.

We've implemented a number of system upgrades which have reduced our average latency by about 35% and reduced our tail events by over 80%. As we plan the migration of the eSpeed matching engine and customers into our world-class Carteret data center near the end of the first quarter of 2014, we will complete a fairly significant technology overhaul that puts eSpeed on great footing to be more competitive and do more in the coming periods.

Moving past the technology overhaul and on to our planned product menu expansion, we recently launched our first new product since acquiring eSpeed, U.S. Treasury Floating-Rate Notes, and we have several other products in the on-deck circle for the first quarter and the first half of 2014. These products include [ph] Coupon Rolls, WIN issues (13:13) and then TIPS and Bills.

In Corporate Solutions, we continue to progress on bringing our legacy Corporate Solutions businesses in line with the acquired Thomson Reuters businesses to create a stronger industry leader. To-date, we have meaningfully reduced our reliance on the transition services agreement with Thomson Reuters. We're consolidating the real estate footprint and we're making steady progress on the Lead to Cash/Billing solution. Our sales and development teams have been integrated, increasing our ability to cross-sell effectively, even as we invest heavily in our next generation product suite.

As I've said in the past, we are focused first on the effectiveness with the acquisition, something I am increasingly confident that we are achieving. And beginning later in 2014, we expect investors to see more and more of the efficiency opportunities our leading scale can deliver as part of our move to Technology Solutions segment – the segment margins to be higher.

Now moving to our organic efforts, one of the growth initiatives which shows increasing progress is NLX, our European interest rate derivatives market in London. In fourth quarter 2013, NLX set new market highs both overall with a 2.4% share as well as in certain products that are seeing dramatically higher uptake, like Euribor futures which saw market share greater than 5% and had several days above 20%.

Our market share has been building steadily since we launched in May of 2013, but more importantly, we continue to add new users which increased by 11 in the second half of 2013 to 27 and we expect that number to grow in 2014.

We're also very encouraged by the development in European regulation, in particular MIFID II, which is designed to create more competition in listed derivatives trading, something which will be as pervasive a change as Reg NMS was in the U.S. equity markets. We've always believed that competition is the lifeblood of capital markets and that monopolies are natural creations in a capitalist society. And that over time, competition will always seek to surface, a belief that this latest regulatory development certainly validate. With NLX as well as our Nordic Derivatives platforms and clearinghouses, we believe we are very well-positioned for an increasingly competitive European derivatives landscape in the years to come.

Moving on to the listings business, we are extremely excited about NASDAQ Private Market or NPM, which is designed to help companies that aren't public for their many needs similar to public issuers. Recent regulatory changes and particularly, JOBS Act, allow companies to have more investors while still remaining private and create new opportunities for us to help them take advantage of this new flexibility.

While our offering will be multi-faceted and includes a new kind of marketplace that not only brings liquidity for their shareholders, but allows them to manage important aspects of how their investors interact. NPM recently received broker-dealer approval from FINRA and has filed with the SEC for registration to begin operation as an ATS, which will allow us to launch NPM before the end of the first quarter 2014. We have been encouraged and excited by the response from the market and we look forward to providing a venue for a greater number of companies to have a more efficient access to capital and for investors to have a path for access to [indiscernible] (16:55) companies.

For 2014, we are optimistic that our business model is well positioned for any potential improvement to the global business environment while the diversity of our offerings provides the opportunity to more broadly service our customers across the investment community. For our part, we'll continue to focus on strong execution and efficiency while serving the needs of our customers.

In closing, I would like to say this quarter in many ways highlights a year that I would describe as transformational for this organization on a number of levels. We are well positioned in our core business. Our core businesses have diversified and now provide an optimal mix between recurring and transactional revenue and our strong performance had allowed us to significantly invest in our future, while delivering record earnings. We at NASDAQ OMX are very proud of these accomplishments.

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

Lee Shavel, Chief Financial Officer & EVP-Corporate Strategy

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

I'll start by reviewing our fourth quarter revenue performance relative to the prior year quarter. Net revenues increased $98 million to a record $520 million. Contributing to this increase was an $80 million or 27% increase in subscription and recurring revenue, primarily from acquisitions but also from material organic growth. Subscription and recurring revenue represent 73% of total revenues, up from 71%. Transaction-driven revenues rose $18 million, mostly due to the inclusion of transaction revenue related to the eSpeed acquisition, but also due to higher European cash equities revenues, which rose $4 million, partially offset by lower net U.S. derivatives revenues. On an organic basis, assuming constant currency and excluding acquisitions, total company net revenues rose 5%.

I'm now going to go over some of the highlights with each of our reporting segments. All comparisons will be to the prior year, unless otherwise noted. Information Services, which includes our Market Data and Index businesses increased revenues 10% and operating profit by 6%. Operating margin was down marginally, but remained at very high levels at 69%. Market Data had a 7% increase in revenues on growth in new product sales, in particular, NASDAQ BASIC, select pricing actions such as an increase for level 2 quotes and mutual fund services and the inclusion of eSpeed market data, partially offset by lower audit collections which were $2 million lower than the prior-year period. Index Licensing and Services grew revenues 25%, including the impact of the

Mergent index's acquisition with the number of licensed ETPs up 31% to 148 and assets under management up 44% to $92 billion.

In Technology Solutions, which includes Corporate Solutions and Market Technology, they increased revenues by $70 million or 89% mostly due to the impact of the Thomson Reuters and BWise acquisitions, but also due to organic growth at both the legacy Corporate Solutions businesses and in Market Technology. Operating profit tripled to $21 million due primarily to the inclusion of Thomson Reuters and secondarily due to the organic growth and recognition of certain previously deferred revenues.

Corporate Solutions revenue, of course, shows a large step-up in scale due to the midyear Thomson Reuters acquisition more than tripling compared to the prior-year period. But it's important to note that we are still seeing solid organic growth here as well, in particular at Directors Desk, where we saw clients increase by 27% versus the prior year.

Market Technology revenues grew 22% and set a new quarterly revenue record at $66 million and perhaps more importantly, as we think about future periods, it set record highs for quarterly and annual order intake at $138 million and $322 million, respectively, establishing a new record backlog at $655 million. Growth was broad-based and included contributions from both BWise and SMARTS Broker. Please note that in the fourth quarter, we recognized $3 million of revenues that were previously deferred at BWise.

A note here on our Technology Solutions operating margins. We saw a significant increase in the fourth quarter to 14% from 9% in the prior-year period, and 7% in the third quarter of 2013. While we're excited about the great result, we note that the fourth quarter was subject to the seasonal fourth quarter peak and change request revenues and that the $3 million of revenue recognized from previously deferred BWise revenues also added a couple of percentage points.

As we think about the next few quarters, please bear in mind that we'll still be in the relatively early stages of the Thomson Reuters integration with elevated investment and modest cost synergies expected to be realized, and the most significant progress towards our 20% Technology Solutions segment target will happen in 2015 when we expect to realize the majority of the $35 million in targeted cost synergies. Consequently, we don't expect the fourth quarter 2013 margin level to continue in the first quarter, but we do expect to show steady year-over-year improvement in 2014.

Moving to Market Services, which includes our derivatives, equities and fixed income businesses as well as our associated Access and Broker Services, we saw a 9% increase in revenues due primarily to the inclusion of transaction and hosting revenues of the acquired eSpeed business and growth in European equities trading, partially offset by a modest decline in net U.S. derivatives. Operating profit increased 7% and operating margin of 43% was down modestly from 44% in the prior year period.

In net derivatives and trading and clearing, European revenues were unchanged but net U.S. derivatives saw a moderate decline due to modest declines in average capture and market share, though I'd note, we were proud to finish our fourth straight year as the share leader in U.S. equity options trading.

Net equity trading revenues rose 9% as European equity revenue grew 22%, a product mainly of higher industry volume coupled with flat net U.S. equities revenue and basically unchanged industry volumes share and average capture. I'd note that while European equities obviously has had strong increases over the last few years, we're seeing encouraging signs in U.S. equities where we've had three consecutive quarters of rising average capture and modest improvement in market share, and that positive share momentum has continued into the first quarter of 2014.

Net fixed income trading revenues fell $1 million from the third quarter due to lower industry volumes, which impacted us a little more as we've worked to shift our pricing mix to include a higher variable component, something we expect to pay significant dividends when volumes begin to increase. In Access and Broker Services, revenues fell $1 million or 2% to $64 million due largely to muted demand for ports and co-location, partially offset by the addition of eSpeed hosting revenues and growth in newer products like microwave.

Listing Services which includes U.S. and European Listings saw a $1 million or 1% increase in revenues principally on higher European Listing fees, which reflect higher market capitalization there. In the U.S., listing fees results were flat as higher listing fee revenue was offset by lower revenues associated with events at the MarketSite facility which is undergoing a renovation. Operating profit decreased $3 million or 12% to $23 million, and an operating margin of 40% was down 6 percentage points versus the prior-year period, principally on marketing commitments and expenses related to the NASDAQ Private Market initiative.

U.S. new listings in the quarter doubled to 80 from 40 in the prior-year period and our IPO win rate was around 44%, down from 48% in the prior-year period and below our 52% full-year result due mainly to an unusually high number of spin-offs of NYSE-listed companies and REITs during the fourth quarter of 2013. Excluding these two categories, our win rate would have been 54%.

In addition to having a productive quarter in terms of new issue activity, we gained 18 switches from NYSE including, as Bob noted earlier, Marriott International and American Airlines and only saw 4 departures.

Non-GAAP operating expenses increased by $77 million from the prior year with the vast majority of the increase coming from the two acquisitions. Organic expenses excluding the acquisitions and assuming constant currency, rose 6% this quarter, including GIFT spending above our normal organic expense growth rates due to higher incentive compensation costs, as well as the initial, temporary investment spend we're making into our acquisitions. Full-year organic expense growth was 3%, about 1% of which is the impact of the higher GIFT budget.

Moving on to our 2014 expense guidance, on slide 20 of the presentation, we are initiating 2014 expense guidance at $1.250 billion to $1.285 billion including $35 million to $50 million in GIFT expenses. The higher end of our core expense range of $1.215 billion to $1.235 billion on the core expenses will be most likely if 2014 features significant improvements in the underlying industry conditions and activity levels.

Understanding that our significant mid-2013 acquisitions made comparisons to our new guidance challenging, I'd note that taking our fourth quarter 2013 non-GAAP operating expenses of $313 million and annualizing them gets you to $1.252 billion, and our 2014 guidance of $1.215 billion to $1.285 billion implies about 1% to 3% growth.

Non-GAAP operating income in the fourth quarter of 2013 was $207 million, up $21 million or 11% from $186 million in the prior year period. Non-GAAP operating margin came in at 40%, down from 44% in the prior year period, primarily the result of a larger contribution from the lower margin Technology Solutions business due to the Thomson Reuters acquisition. As we achieve cost synergies related to this transaction, we expect to see Technology Solutions and overall margins increase.

Net interest expense was $28 million in the fourth quarter of 2013, an increase of $6 million versus the prior year due to increased borrowings associated with our acquisitions. The non-GAAP effective tax rate for the fourth quarter was 34%, at the low end of our 34% to 36% guidance range.

Going forward, we expect that our tax rate for 2014 to be in the range of 33% to 35%, a range that is 1% lower than our prior guidance. Non-GAAP net income was $119 million, or $0.69 per diluted share compared to $108 million or $0.64 per diluted share in the fourth quarter of 2012. The $0.05 increase in our EPS reflects a $0.04 improvement in our core operating profitability, a $0.04 benefit from the acquisitions net of financing costs, a $0.01 benefit from the lower effective tax rate partially offset by $0.02 of increased spending on our GIFT initiatives, and $0.02 higher fully diluted share count.

Fourth quarter non-GAAP EPS of $0.69 excludes the impact of several items including a $30 million realized gain on the sale of an investment security, $18 million in reserve releases related to the execution of the voluntary accommodation program, and $11 million in gains related to merger activity and strategic initiatives as the primary components. GAAP EPS was $0.81 in the fourth quarter.

Moving on to the balance sheet. On slide 22, we are showing our debt structure and debt maturities. Our higher debt and leverage versus the prior year reflects the completion of our acquisitions of Thomson Reuters at the end of May, and eSpeed at the end of June, financed largely with debt, while both our debt and leverage declined versus the second and third quarters of 2013, reflecting debt pay down in the quarters since those acquisitions were funded, as well as improved EBITDA.

In the fourth quarter, the company paid down $98 million in debt including $87 million in repayment on the revolver and $11 million on our term loan, but changes in foreign exchange led to a $14 million increase in the U.S. dollar amount of foreign denominated debt on the balance sheet netting to an $84 million decline in total debt compared to the third quarter of 2013.

Our gross-debt-to-EBITDA leverage fell to 2.8 times from 2.9 times last quarter and a peak of 3 times at the closing of our acquisitions in the second quarter of 2013. The deleveraging process is consistent with our original expectations and we continue to expect leverage to return to the mid-2s range by the end of the second quarter in 2014.

Cash and cash equivalents and certain liquid investments, net of our regulatory and restricted cash, were $255 million at the end of the fourth quarter.

Thank you for your attention. And with that, I will now turn it back over to Ed.

Edward P. Ditmire, Vice President-Investor Relations

Operator, please open up the lines for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Rich Repetto of Sandler O'Neill. Your line is now open.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: Good morning, Bob. Good morning, Lee. Congrats on a strong quarter here.

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

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: My question is on Information Services and more specifically Market Data, because you're looking good year-over-year, but there was some sequential quarterly declines, and I'm trying to see does that have anything to do with the restructuring of eSpeed market data or agreements and just to explain the quarter-over-quarter changes in Market Data and Information Services.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Sure, Rich. So the reason that you're seeing a decline from the third quarter really is principally due to audit revenues. So, as you know, we're engaged in a process of evaluating the utilization by our clients of the Market Data services. We will undertake audits of those clients and occasionally recognize that the clients are underreporting or under-calculating the amount of revenue.

Now, in the third quarter, we had a particularly strong level of audit revenue. And as a consequence, the fourth quarter comparison was lower, because we simply had lower audit revenues than in the third quarter. I wouldn't say that it represented any fundamental change in the business and it was not impacted by eSpeed.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: So, you'd say third quarter was high, fourth quarter low, first quarter be more in line.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: So, sort of like, look at the average of the two rather than [ph] either one (32:27).

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: That's a good way to do it.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: Okay. And then my follow-up is eSpeed you have a plan, Bob, and there's been stuff floating out there about market share changes. I just want to see whether you could sort of point us in the right direction of how you feel about the market share in eSpeed and that the offering going forward doesn't conflict with your clients' interest?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: I would say quite the opposite. So, one of the things I'm happy about the progress we made with the relationship with our customers, and I think we had to do some level of repair work there. But what's interesting to me is we were able to come to new contractual relationships with them in a lot shorter period of time than I would have thought.

So, I think with the core bank customer base, we're in a better position now than we were six months ago. We also have made progress with introducing new customers into the marketplace, and probably just as important is we're in the final stages of having Trading Technologies being certified on our platform. That's been really holding back some of the progress. So, I think, one, the market share is work-in-progress. It's essentially what it was when we did the acquisition. We clearly want to improve it.

We've made major technology changes. That information is filtering into the communities, filtering into the technology folks who support these platforms, and we're building the data to show in times of stress how our platform is certainly remarkably strong and dramatically better than what it was six months ago. So, work in progress. We're happy that we're taking all the right actions, and we expect that in the not-too-distant future that will show up in our results.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: Understood. Thanks, and congrats on a strong quarter.

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

Operator: Thank you. Our next question comes from Kenneth Hill of Barclays. Your line is now open.

<Q – Kenneth Hill – Barclays Capital, Inc.>: Good morning, Bob and Lee.

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

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

<Q – Kenneth Hill – Barclays Capital, Inc.>: Doing good. Wanted to start on NASDAQ Private Market. I think that's an interesting kind of venture you guys have there, and you're working to get the approvals in place shortly. Just kind of wondering – and I'm sure ahead of those approvals you've been talking to a lot of customers – how you're thinking about the revenue kind of outlook for those businesses? What kind of service those customers are looking at [indiscernible] (34:51)?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: I would look at three revenue drivers for this marketplace. One, is a subset of our Corporate Solutions products is certainly applicable to this marketplace. Just because you're private doesn't mean you don't want to send press releases out nor do you want – you still need some marketing surveillance. Clearly, your directors want to have automated board tools, number of different products that we're selling to them, so we're finalizing that offering now.

The second is, and in many ways is important in the beginning is to have control of your shareholder register, so we want to provide products and services that allow them to do that, who owns the shares and who can sell under what conditions.

And the third is to provide liquidity programs to these issuers. It's not going to look like NASDAQ public market. It will be some type of auction that will be based on the issuers' desire to have it once a year, once a quarter, once a month. We certainly believe that over time liquidity is seductive to people and they'll have more rather than less of these liquidity options. But I think it'll be quite small in the beginning. So, three drivers there.

What's important to recognize is when we look at NASDAQ Capital Markets, the public market, which is fundamentally different than the private market, is we probably have more revenue opportunity in NPM than we do in public market context. And the public market companies do not trade that often. So, in a real sense, liquidity programs could be that much more attractive to us and to them.

And we're obviously trying to get a sense of the scope of the market, but there are hundreds of companies that are a natural first target for us. I would say that we're going to make sure that we keep the quality of the companies very high that come to market here. And we're definitely going to look to do a controlled launch in March and be, I think, quite restrictive in the number of companies that use the platform in the beginning. But the demand is certainly there and the excitement is building.

<Q – Kenneth Hill – Barclays Capital, Inc.>: Okay. My follow-up I guess is on the other side of that equation, on the expense side. I was just wondering, I think you mentioned in the comments there's somewhat of a drag on margin for the quarter. Just wondering how much might be in the new initiative spend. Is that [ph] $35 million to $50 million (37:17), and maybe what it could grow to over time.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Well, in terms of the overall expense growth, as I mentioned, we had 6% organic growth in operating expenses. And that reflected a higher level of investment in the two acquisitions. As we've described initially, particularly with Thomson Reuters, there's an initial investment phase. And as Bob mentioned, a number of the technology investments that we're making in eSpeed are contributing to that, but we view those as temporary influences that once those investments are made, we expect the margins to improve in those businesses.

As it relates to the GIFT spending, the guidance that we've provided reflects our expectations for the portfolio of projects that we have. Principally in there is our NLX initiative, but we have other portfolio investment opportunities that we see there. And I think that the overall level that you see for the 2014 guidance is down slightly from where we were in 2013.

<Q – Kenneth Hill – Barclays Capital, Inc.>: Okay. Thanks for taking my questions.

Operator: Thank you. Our next question comes from Dan Fannon of Jefferies. Your line is now open.

<Q – Dan Fannon – Jefferies LLC>: Good morning. I guess if you could talk to us about the second quarter when you get to your deleveraging targets and think about capital priorities and looking at buybacks, dividends and then potential acquisitions and kind of update us on those thoughts and then what potential areas of new businesses you might be looking at, if any.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Well, I would say, one, is we want to get to the second quarter and the way to do that successfully is to focus on the first and the second quarter execution. So, with respect to capital return, I would say that the board will contemplate that probably sometime after the second quarter, assuming we achieve what we think we will or we're very confident we will in the first two quarters. So, not the time and the place, but it will come. The second part of your question was about acquisitions?

<Q – Dan Fannon – Jefferies LLC>: Correct. The potential...

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Okay. Well, what we've said before is we have I think a very capable corporate development department. And we literally look at probably a hundred different opportunities in a given year. We obviously don't participate in the vast majority of them. And I would say that it's just the normal course of business, but there's certainly no higher or lower activity than we normally see in NASDAQ OMX in terms of us just thinking about things.

And as I said before, it's our job to know every asset in every corner of the world across all different asset classes. And to the extent you have really a template of where the world is and where the world might go, then you have a pretty clear view of how that will play and help or hurt strategically where you want to go.

<Q – Dan Fannon – Jefferies LLC>: Great. Thank you. And then I guess, Lee, just on the GIFT spend, NLX last year was a big component. Is that a smaller component in 2014? And one of the other programs in development you've listed is now increasing as a percentage?

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: I'd say that with regard to NLX, it continues to be the most significant element of the overall GIFT spending budget. And depending upon how NLX continues to progress, it could be an increasing amount or a decreasing amount, but it's really too early to say. As Bob indicated, we're extremely pleased with the progress that we've seen on the market share front, and we have to allow that continued time as we indicated through 2014 for us to come to our conclusion. Certainly, our expectation is that we will continue to generate momentum, add clients, and as a consequence be a less significant expenditure within the GIFT budget.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Certainly NLX had a very exciting fourth quarter. As we said, 20% market share on certain days and certain hours of Euribor. That was not unnoticed by the community. And more importantly, as a result of that, we do see a strong series of inbound calls and a strong number of new participants and some of the large participants in the marketplace now working very hard to hook up to NLX. And obviously that will be the determinant of our long-term success. So, very successful fourth quarter and very strong progress, so far, in the first quarter of 2014.

<Q – Dan Fannon – Jefferies LLC>: Thanks for taking my questions.

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

Operator: Thank you. Our next question comes from Jillian Miller of BMO Capital Markets. Your line is now open.

<Q – Jillian Miller – BMO Capital Markets (United States)>: Thanks, guys. I'm just following up on that last kind of question. Given the strength that you've seen in NLX and all the success you've had in the fourth quarter, I'm just wondering when you plan to roll back some of those incentives, the incentives so people would trade just to see what sticks versus what might be just kind of temporarily sticking around for those rebates?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yes, a good question. I think it ties back to what I just said. Right now, we have a queue of people wanting to hook up and I think hopefully there's more coming. And that's a process. To the extent we're through that queue and we know that we have a fairly steady-state number of participants that would be the time that we'd start thinking about it.

<Q – Jillian Miller – BMO Capital Markets (United States)>: Okay, got it. And then there was a news article a few weeks back that had some commentary from you guys suggesting you might potentially be interested in acquiring some index properties going forward. And I know you like to leverage your index platform by buying some more IP to run on it. So, I just want to get your thoughts on that specifically, will be attractive to you about those businesses. How do you think about valuation just because they do tend to be relatively high-multiple businesses?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yes. A good question. One is we've said publicly before that we love our positioning in the index business. We undertook through our GIFT initiative a development of our index platform to basically be on par from a breadth with any of the platform out there. And we think from a technology point of view, we represent a step function.

So, if you equate the index business to the transaction business, you see that now that we have the planned incremental business, incremental revenue tends to drop to the bottom line. So, the [ph] plan is built (44:32) no different than when we looked at the transaction business back 10 years ago. So, we want to put more volume through it.

We have made one small, very successful acquisition in the index business called Mergent, and that was with Dividend Achievers. We've done incredibly well with that. To the extent that other

Mergent-type opportunities become available, we clearly would be interested in that. But I would also say that our primary focus is about organic development. We've increased the sales outreach. We're making, I think, very strong incremental progress in that effort. And we have more prospects lined up than we ever had before.

So, we're going to look at both weapons. We have the plan, we have the capability, we have a scalable platform. We're going to look at both organic and inorganic growth in the space.

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

Operator: Thank you. Our next question comes from Bill Katz of Citi. Your line is now open.

<Q – Bill Katz – Citigroup Global Markets Inc. (Broker)>: Okay, thank you very much for taking my questions. First question is just coming back to the expense guidance, trying to maybe frame the operating leverage underneath that. What kind of revenue backdrop are you considering and then to the extent that we either had a better-than-expected or worse-than-expected operating leverage, how fixed is that range of expenses?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Well, I would say, Bill, that the revenue outlook that we are looking at for the expense range is, as I indicated in the comments, if revenues remain – I would say, if the environment remains as it was in the second half of 2013, then I think our expectation is that we would be towards the lower end of the expense guidance range that's set out, the $1.250 billion. To the extent that we see an improvement across our businesses and activity in terms of trading activity or pickups in our technology businesses, then we expect we would be towards the higher end of that range. Is that the guidance that you're looking for?

<Q – Bill Katz – Citigroup Global Markets Inc. (Broker)>: Yes, thank you. I apologized if I missed your prepared remarks. Second question I have is just you mentioned that your synergies from transaction with Thomson were more back-ended 2015, which seems reasonable versus [ph] previously (46:57). Could you give us an update on where you stand maybe even qualitatively, what you're hearing from clients as it relates to the possibility for cross sell or revenue synergies as you're now another quarter into the transaction?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yes, I would say this. One is we like to break things down into manageable pieces. So cross-sell is a big overarching theme that we'll execute upon obviously in the quarters and the years to come. In 2013, now going to 2014, we more narrowly defined it. And so when you look at a product that old NASDAQ had that old Thomson did not have which has high growth and high margins that was Directors Desk. So clearly, that was the number one thing that we wanted to do in a cross-sell. So we want to give back to the sales force to do in a very manageable way. And then when you look at what old Thomson had that clearly NASDAQ always wished they had, that was First Call and content products such as StreetEvents.

So that was our focus. So that will be the mission for the X number of months and then we'll expand upon that as we go along. So great opportunities with those two. As we mentioned in the prepared remarks, Directors Desk had an outstanding year and quarter and clearly a lot of that was related to cross-selling that we're able to do.

<Q – Bill Katz – Citigroup Global Markets Inc. (Broker)>: Thank you.

Operator: Thank you. Our next question comes from Ken Worthington of JPMorgan. Your line is now open.

<Q – Ken Worthington – JPMorgan Securities LLC>: Hi. Thank you very much. First I wanted to ask on the SIP. What are your intentions with the SIP? I think you gave notice to give up responsibility. So maybe what are the advantages of controlling the SIP and if you continue to manage it, what kind of investments maybe needed to improve the technology there?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yes. All right. So couple comments from the SIP. So one is we have made a recommendation to the SIP committee of 10 things that needed to be done. And we spoke to the committee about that verbally, obviously, post 8/22 and then put it formally in front of them in November.

We've not seen progress on those 10 items. We have progress on two items. It's basically wholly unacceptable to us. If this was under our control and we'd live through what happened on 8/22, then on 8/23 we'll be working hard around the clock to remediate the system, which had been obviously sitting there somewhat neglected over the last decade.

So it obviously is a source of frustration to us, and we have to communicate that. We sent the termination in and that it's not tolerable for us to work in this environment with a known system with known deficiencies and the committee is not stepping up to their responsibilities to authorize us to fix that. So, it's a frustration right now, and like I said we have no intention to want to continue on this environment and we're going to communicate that pretty loudly and clearly.

<Q – Ken Worthington – JPMorgan Securities LLC>: And I'm sorry, what are the advantages of actually controlling this? How is this strategic kind of asset?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: It's not. It's not. It's an infinite risk and at this point no reward.

<Q – Ken Worthington – JPMorgan Securities LLC>: Okay. Great. And then maybe for the follow-up, can you give us an update on the pursuit to replace Eric Noll?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yes. As I committed before is we're going to look to do that in and around the end of the first quarter, so that's in process.

<Q – Ken Worthington – JPMorgan Securities LLC>: Okay. Thank you.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Meantime, I'm having some fun running the U.S. transaction business, which had a strong fourth quarter, didn't it, Lee?

<Q – Ken Worthington – JPMorgan Securities LLC>: Awesome. Thank you very much.

Operator: Thank you. Our next question comes from Chris Harris of Wells Fargo Securities. Your line is now opened.

<Q – Chris Harris – Wells Fargo Securities LLC>: Thanks, guys. The first question relates to MIFID. It sounds like in your commentary you're positive or constructive about what that might do. But correct me if I'm wrong, but it seems like it would open up your Nordics business to a little bit more competition. So, wondering net-net whether you guys view this as a really good opportunity for NASDAQ or a potential threat at the same time?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Well, I think it's an unbelievable opportunity for NASDAQ. As I said in my prepared comments, it definitely sounds to me, it feels to me like the days before Reg NMS was implemented, and you had a number of deniers out there in terms of what that would mean to the marketplace. So, I don't know the precise numbers. The way I look at this right now with respect to European clearing, we might have 5% market share. So, I have 5% market share to think about, but I have 95% market share to go compete for. So, I like that ratio. So, it is a fundamental and basic opportunity for us. There will be heightened competition in the trading of these instruments and it's something we do well.

<Q – Chris Harris – Wells Fargo Securities LLC>: Okay. That makes sense. Then the follow-up question, a numbers question maybe for Lee. You guys did have a nice pickup in the Tech Solutions revenues and you did walk through a few of those line items. Just wondering, though, how much of the revenue bump was driven by seasonality? It seems like a few of the line items might be part of the more recurring bucket you have. So, just trying to – as we think about this revenue line item going forward, maybe what should we expect over the next couple of quarters?

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Well, Rob (sic) [Chris] (52:53), I can't predict what our expectations are for the quarter ahead. I think the things that I would point out is that we tend to see, and I think you can look at this on a quarterly basis, we tend to see strong growth in the change request revenue or sub-revenue line item in the fourth quarter. And so, if you're trying to get a sense as to what's the seasonality impact, I think you can look at that on that number to get a feel for it. And then, there are also some impacts in the Corporate Solutions business, but it's very difficult I think to identify specifics, specific products or give you a sense of the percentage.

The other element that I think you should just be aware of is, as I noted, there were approximately $3 million of revenues associated with BWise that was an acceleration of revenue recognition due to an accounting change that we made that influenced the fourth quarter numbers. Those revenues in subsequent quarters will also be increased, but we probably had an unrepeating, non-recurring element of about $3 million in the fourth quarter. So, I think, those are the elements that would address your question.

<Q – Chris Harris – Wells Fargo Securities LLC>: Okay, understood. Thanks.

Operator: Our next question comes from Rob Rutschow of CLSA. Your line is now opened.

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

<Q – Rob Rutschow – CLSA Americas LLC>: Hey. Good morning. Thanks for taking my questions. I was just wondering if you could give us an update on the eSpeed client base and how many of those clients you've been able to renegotiate into longer term contracts.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Yes, well one is, we have a one-year contract, and we continued with that and we finished that renegotiation, I think, somewhat early in the fourth quarter, sometime in the fourth quarter. So, as I said before, that happened sooner, quicker than I would have guessed and I think it was generally a positive experience for both sides.

<Q – Rob Rutschow – CLSA Americas LLC>: Okay. And then just a numbers question follow-up, I appreciate the disclosure on foreign currency. I was just curious as to why there was sort of a big swing in the Swedish kroner expenses from quarter-to-quarter.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Yes, Rob, I don't think we have an answer at our fingertips for that question, but we'll follow up with you afterwards and take a look at that.

<Q – Rob Rutschow – CLSA Americas LLC>: Okay.

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

Operator: Thank you. Our next question comes from Mike Carrier. Your line is now opened.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: How you doing, Mike? I guess he's not doing that well.

Operator: [Operator Instructions] Our next question comes from Mike Carrier of Bank of America Merrill Lynch. Your line is now opened.

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

<Q – Mike Carrier – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Thanks guys. Good. Just a question first on the technology business. So you know, Lee, I think even excluding that adjustment of the $3 million, still strong quarter if we look at the pipeline, the backlog, everything looks positive going forward. I guess, just the two questions there is, even ex that $3 million, is there still some seasonality in terms of revenue recognition in the fourth quarter?

And then when you think about going forward and you think about the opportunity that you guys see, whether it's with exchanges, buy-side clients, sell-side clients, just where are you in terms of going after that opportunity, meaning how much market share, what else exists, because there's only so many exchanges out there that you can have relationships with? I'm just curious on the growth.

<A – Lee Shavel – The NASDAQ OMX Group, Inc.>: Yes, Michael. I'll let Bob handle the outlook, but just to confirm, I didn't mean to suggest that $3 million was the only impact in the quarter. As I discussed, the change in request revenue line separate from the other revenues has a seasonal impact in the fourth quarter as people are generally rushing to get their final changes in before year-end. So that's influencing it. But you're right. I mean, what's primarily driving the quarter is just a very strong order intake that we saw from Market Technology.

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: And let me get to your other question. So one, there does seem to be more and more exchanges available for us to sell to, so I kind of shared your thought three years ago, but I'd say the number of new name exchanges that we're talking to now is greater than it's been in the past.

In addition to that, in terms of driving our growth, we've gone in a very significant way into clearing systems post-trade. And so you see, with Borsa Istanbul and some of our new deals, it's not just the trading systems that are looking to us for clearing systems post-trade processing. In addition to that, with our SMARTS acquisition, we have certainly made a major splash in risk management and SMARTS tied together with BWise truly will give us a leading position there.

So, we have an increasing number of customers we're talking to and we're talking to customers at multiple levels right now, really pre-trade, risk management, trading, and post-trade. So our opportunity set is quite large.

<Q – Mike Carrier – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Okay. That's helpful. And then just as a follow-up, in the U.S. options business, it looks like market share has trended in the right direction. Pricing looked like it ticked down. And I think you guys have a new proposal in terms of a new pricing mechanism. So just any comments on the outlook of the options business from a strategy standpoint, what you guys are trying to achieve?

<A – Bob Greifeld – The NASDAQ OMX Group, Inc.>: Well, I would say, the options business is certainly multi-dimensional chest that we play and we play it basically on a month-by-month basis. Our team is incredibly well-led and we tend to think in the right ways, and by that I mean, really acting in concert with what our customers require.

So I think it's a tough competitive environment and we continue to do well, and we certainly are very excited about the new plans we're putting in place, but also recognize that two or three months after that we'll be doing further refinements to those plans.

<Q – Mike Carrier – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Okay, thanks a lot.

Robert Greifeld, Chief Executive Officer & Director

Okay, great. Okay. So, one, thank you for attending on this snowy day. Two is I want to just repeat what we said earlier. We're certainly proud of the fact that we had record revenues. And probably more importantly than that, we had in certain ways record investments in our future, and certainly some of those GIFT initiatives are showing some real signs of life. So it's a great thing to be able to, one, deliver record revenues, invest in our future, and obviously deliver to our investors. So we're proud of the quarter. We're excited about what 2014 will represent, and we certainly appreciate your support and look forward to talking to you in the future. So, thank you.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone, have a wonderful day.