MANAGEMENT DISCUSSION SECTION

Operator: Good day everyone. Welcome to the NASDAQ's Third Quarter 2008 Earnings Results Conference Call. Today's call is being recorded.

At this time, I would like to turn the conference over to the Vice President of Investor Relations, Mr. Vincent Palmiere. Please go ahead, sir.

Vincent Palmiere, Vice President of Investor Relations

Thank you, Operator. Good morning and thank you for joining us this morning to discuss NASDAQ OMX's Third Quarter 2008 Earnings Results. Joining me are Bob Greifeld, our CEO; David Warren, our Chief Financial Officer; President, Magnus Böcker; and on the phone is Ed Knight, our General Counsel.

Following our prepared remarks, we'll open up the line for Q&A. If you haven't done so already, you can access the results press release on the NASDAQ OMX Investor Relations and Newsrooms websites at www.nasdaqomx.com. If you have any follow-up questions after the call, please contact me at 212-401-8742.

Before we begin, I'd like to remind you that certain statements in the prepared presentation and during subsequent Q&A period may relate to future events and expectations, and as such, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. I urge you to read the full disclosure statement concerning such forward-looking statements in our press release, and other factors detailed in the Company 's Form 10-K, and periodic reports filed with the SEC.

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

Robert Greifeld, Chief Executive Officer

Thank you, Vince, and thank you for joining us this morning to discuss our third quarter results. I would like to extend a special thank you to our investors on the west coast, since I certainly realize it is an early hour for you.

During the quarter, we continued on our mission to build an organization that leverages our massive scale against extreme efficiency. By continuing to execute against a well crafted plan, our performance is strong in what has been difficult times in the markets. We've been able to deliver on our promises of launching new initiatives such as NASDAQ OMX Europe and closing transactions such as our acquisitions of the Philadelphia and Boston Stock Exchanges. However, I'd have to say the most significant accomplishments for our company are those that won't directly appear on our income statement or balance sheet.

As we've executed our plan, we paid special attention to ensure that we are building a cohesive workforce and integrated team that is solely focused on building a company, one company, positioned to be successful in all economic environments. It is because of this integrated team that we've been able to realize the deal synergies.

Today, we've announced that we begin accelerating the target date to achieve the $100 million in expense synergies from our combination with OMX. When we originally announced the deal, assuming a 1/1/2008 closing date, we established a target to have expense synergies fully achieved by the end of 2009. The deal actually closed two months later than we anticipated. However, last quarter we accelerated the target date for completion up to the first quarter of 2009.

Today, we are again accelerating the target date to the fourth quarter of this year. Equally impressive, our acquisition of the Philadelphia Stock Exchange accreted to our shareholders during the third quarter, the same quarter in which we closed the transaction.

As you can see, our one-team, one-company approach is yielding benefits; benefits for our customers, benefits for our employees, and benefits for our shareholders.

As I mentioned, the NASDAQ OMX group had a strong third quarter during a time of broad and sweeping global economic challenges. Our organization is affected on many different levels during uncertain and volatile markets.

On the Transaction side, we are net beneficiaries. However, our Issuer business typically doesn't fare as well since many companies defer capital raising events. The important thing for us to realize is that we cannot control issues on a macroeconomic level. But we can control our own strategy and our long-term growth opportunities. We focus on what we do best, and that is delivering customer-centric products that operate on efficient technology while maintaining our disciplined approach to managing cost. It is that focus that has us in a position today of reporting a very strong quarter, one in which our operating results have improved significantly.

During these turbulent times, we've also provided information and guidance to executives of our listed companies. These executives turn to us for answers with regard to events impacting their stock and to understand how we are working with regulators to ensure that our market continues to operate efficiently and effectively. And I'm proud to report that our technology proved capable of handling dramatic increases in activity during a period of record volumes without interruptions, and just as importantly, without the need for expensive capital outlays.

Going into the quarter, options volumes handled by our markets reached record levels during the quarter. The combined volume of equity option contracts traded on the Philadelphia Stock Exchange and the NASDAQ Options market was 165 million contracts, representing an increase of 54% from the third quarter of 2007 while market share reached 17.9% for the quarter, with a high of 19% in the month of August.

Our U.S. Cash Equities business continued to perform well, matching an average of 2.8 billion shares per day, up 47% from the 1.9 billion shares per day matched in third quarter of '07, and up 115% from the 1.3 billion shares per day we matched in the third quarter of 2006. Truly amazing growth.

During the quarter, we maintained our leadership position as the single largest pool of liquidity in which to trade U.S. cash equities, matching an average of 29.6% of all volume on our trading platform. Our share of NYSE listed volume also continued to grow, reaching an average of 23.3% for the quarter, up from 18% from the third quarter of 2007.

In the Nordic markets, while value traded declined as market capitalization values have suffered, the volume of trades executed grew and was up nearly 5% when compared to the prior year period to nearly 13 million trades. We believe the trade volume will continue to grow.

We also recently announced our roadmap for the Nordic markets, a roadmap that includes the introduction of a central counterparty clearing service and the implementation of a new high-speed trading platform, the same platform that we use today to power our markets in the U.S. and our MTF in London. This roadmap is designed to improve efficiencies in the Nordics, and as a result should result in growth and trading velocity.

Turning briefly to our Listing business. While we certainly acknowledge it has been a difficult year for IPO activity, we are proud to report that we've been very successful in attracting new listings to our market here in the U.S. Leading these new listings are switches to the NYSE Euronext family of companies including 16 from the American Stock Exchange and three from NYSE. Notable switches from NYSE during the quarter were the CME Group, Seagate Technologies, and Celera Corporation. Also, Automatic Data Processing, ADP, switched its listing from NYSE to NASDAQ on October the 21st, 2008, while retaining its three-character symbol ADP.

In London, we launched the NASDAQ OMX Europe MTF. We have recently completed the phased rollout of trading for approximately 650 listed European equities. Progress is being made faster than we expected. Order flow and message traffic have been growing rapidly as average daily order flow value has grown to over $150 billion. We have over 50 market participants either already trading or preparing to trade, and as these participants come online, we expect volume to continue to grow. Also, in London, we announced our intentions to launch a new listing venue by becoming a recognized investment exchange.

And finally, during the quarter, we did an admirable job of controlling expenses. With expenses down when compared to the second quarter of 2008 and down from the third quarter of last year, our operating margins on a pro forma non-GAAP basis were 46%, approaching levels that we had before we closed on our many transactions this year.

When we look forward, we will continue to focus on opportunities that leverage our core technology platform, while delivering increased efficiencies to the marketplace. To that end, we've recently made a number of investments in our future growth opportunities that are designed to increase the level of activity on our trading platforms, these include: the recent Nord Pool acquisition, which we closed last month. When this deal closed, we acquired Nord Pool's clearing, international derivatives, and consulting subsidiaries. Concurrently, we launched NASDAQ OMX commodities including Nord Pool's energy and carbon derivatives products. Through this acquisition, NASDAQ OMX became the world leader in cleared power derivatives volumes.

We also announced an agreement to acquire a 22% stake in EMCF, the European Multilateral Clearing Facility from Fortis Bank. Our goal with this investment is to reinforce EMCF's position as the leading cash equity, central counterparty clearing facility in Europe. We furthered our plans to launch the NASDAQ clearing corporation in 2009 using the license obtained in acquisition of the Boston Stock Exchange. We are launching this business because we believe strongly in the value of competition within the marketplace and plan to focus on improving pricing, service, and innovation.

We also made a strategic investment in the International Derivatives Clearing Group, IDCG, which is a start-up business for the clearing of interest rate swaps. Our goal here is to bring transparency to an opaque market.

Finally, just this week we announced the acquisition of Bloom Partners, a leading market intelligence firm. The combination of Bloom Partners with pinpoint market intelligence will enable NASDAQ OMX to offer an enhanced suite of intelligence services to listed companies.

So, as you can see the third quarter was an active and productive one for NASDAQ OMX. I want to remind you that all these achievements that I reported could not have been accomplished without the dedicated efforts of all our employees. As I mentioned at the beginning of my remarks, we are building a cohesive workforce and this team is focused on building a company positioned for success. And as this quarter demonstrates, these efforts are certainly yielding benefits.

I'll now turn the call over to David.

David P. Warren, Executive Vice President, Chief Financial Officer

Thanks very much, Bob and good morning everyone. Thanks for joining us today. It's very good to be with you.

Our net income for the third quarter reported on a GAAP basis was $60.1 million or $0.28 per diluted share. These results include certain expenses and charges that are non-operational in nature, including losses on foreign currency contracts, severance cost, merger-related expenses, and impairments and other charges. Excluding these items, pro forma non-GAAP net income for the third quarter was $109.7 million or $0.52 per diluted share, an increase of 27% when compared to the third quarter of 2007, and up 7% quarter-on-quarter. Let me also mention that the pro forma non-GAAP results for the third quarter of last year exclude the gain we recognized from the sale of our investment in the London Stock Exchange.

Changes in foreign currency exchange rates had only a minor impact on our pro forma non-GAAP results for this quarter compared to prior periods. Comparing to the second quarter of this year, the stronger dollar resulted in a $0.01 per share negative impact on our third quarter results. Compared to the third quarter of last year, the weaker dollar this quarter resulted in a $0.01 per share benefit to EPS.

As I did on last quarter's calls, while there are few specifics I want to highlight, I am going to dispense with the detailed review of the performance of each business, as I think they are well covered in our press release and have been further amplified by Bob's remarks. Most of my prepared remarks this morning will focus on the continued strong progress we've made reducing run rate expenses and integrating the OMX and PHLX acquisitions. And to say it once, my remarks from here on will address pro forma non-GAAP results, unless I state otherwise.

Net exchange revenues for the quarter were $410.6 million, up nearly 7% year-over-year but down about 2% from the second quarter of this year. Sequentially, as Bob mentioned, strong volumes in the U.S. cash equity and derivatives market were offset to a large extent by the sharp decline in the value of shares traded on our Nordic markets.

In our Market Technology business, revenue decreased $13.8 million sequentially. Most of this variance results from the way we account for market technology revenues. The majority of our market technology contracts require significant modifications and development before they can be delivered to the customer.

Under U.S. GAAP, we are required to apply contract accounting which results in a deferral of revenue and expense during the modification period. Following delivery, revenue expense will be recognized over the remaining period of the contract. Subsequent to the close of last quarter, we reviewed all technology contracts and found $4 million of revenue and $2.3 million of expense, both pre-tax, which had not been deferred. We have adjusted this in this quarter resulting in an $8 million revenue variance. Expenses were also adjusted so that the total impact of this review is not material to our financial results. Also contributing to the variance is a one-time license fee of $2 million recorded in the second quarter of this year.

Now turning to expenses. Third quarter 2008 total expenses on a reported GAAP basis were 233.9 million. These expenses include a number of charges that mask the picture of how we are progressing on an ongoing operating expense level. We have included a schedule in our release that provides a reconciliation of our reported expenses to a pro forma non-GAAP result.

Adjusting for a full quarter effect of PHLX and excluding certain one-time charges, pro forma non-GAAP operating expenses were 222 million for the third quarter, a quarter-on-quarter decline of $30.4 million or 12%. Approximately half of this $30 million benefit results from the elimination of technology projects consistent with our synergy plan, which allow us to reduce head counts, consultants, and system expense. The remaining 15 million of this expense reduction results from the seasonal impact of summer holidays, a stronger U.S. dollar and the deferral of expenses under contract accounting related to our Market Technology business.

We expect Q4 expenses to be largely in line with the $222 million pro forma non-GAAP results achieved this quarter as further expense reductions flowing from our integration efforts will be offset by the loss of the seasonal benefits experienced this quarter, excluding of course the impact on our operations of the Nord Pool acquisition.

The effective tax rate for Q3 was 39.4%, an increase from the 32.3% recorded in Q2. Q3 non-U.S. earnings included a loss of $50.7 million from the foreign currency contracts related to the Nord Pool acquisition. Excluding this loss, the normalized effective tax rate in Q3 would have been 35.6. The remaining increase in the effective tax rate from Q2 to Q3 is due to a higher percentage of earnings from U.S. sources, including Philadelphia.

You will recall that during our Q2 conference call, I indicated that our tax rate following the acquisition of PHLX could increase by 1 to 2%. Let me also say that as a global company, tax planning is now a more significant factor to our bottom line and we continue to be very focused on forward-looking strategies to address this tax rate.

Now turning briefly to the balance sheet before I discuss OMX and PHLX synergies, cash and cash equivalents at quarter-end were approximately $740 million. Of this amount, approximately $420 million is reserved for regulatory requirements and for our acquisition of Nord Pool. And we have maintained a very strong balance sheet with ample cash reserves and are in full compliance with our debt covenants. Cash from operations for the quarter was $166 million.

To finance the Nord Pool transaction that we closed on October 21st, we drew down another $300 million from our existing credit facility. This incremental borrowing is included in the $2.5 million of debt obligations that is reflected on our September 30th, 2008 balance sheet.

During the third quarter, we converted $200 million notional value of our LIBOR-based debt to an interest rate swap, establishing a fixed rate of 5.48% through August of 2011. During the third quarter, we retired $37.5 million of our LIBOR debt and will make an additional required interest payment of $37.5 million in the fourth quarter and $56.3 million of payments per quarter throughout 2009. So, as I stated on prior calls, the scheduled amortization of our term A debt will produce leverage effects and additions to EPS going forward.

Now to synergies. As Bob discussed, we have made excellent progress on our integration of OMX and expect to achieve the $100 million of annual expense synergies by the end of this year. To Philadelphia, during our Q2 conference call I reported that the head count and compensation actions we had taken at closing would result in the transaction accreting to our shareholders by the end of the year. While we did take these actions and have realized the savings, what is also true is that the strong volumes experienced in the third quarter brought PHLX revenues in significantly ahead of projections, allowing this acquisition to accrete in the same quarter it was closed.

Here is my math. Included in our GAAP reported results are revenues of approximately $32 million, expenses of approximately $19 million, and net interest expense of $6.5 million related to the inclusion of PHLX in our third quarter results from the closing date of July 24th. This pencils to $0.02 per share.

Simply put, we are executing extremely well and we'll end 2008 with two major acquisitions integrated into our global operations. Again, I appreciate your time this morning and your support of NDAQ and I will now turn it back over to Bob.

Robert Greifeld, Chief Executive Officer

Thank you, David. Vince, we'll open for questions?

Vincent Palmiere, Vice President of Investor Relations

The operator will take questions now.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And we'll go first to Rich Repetto with Sandler O'Neill.

<Q – Richard Repetto>: Yeah, good morning Bob, good morning David.

<A – Robert Greifeld>: How are you doing there, Rich?

<Q – Richard Repetto>: Doing okay. I guess the first question is, you continue to outperform on the synergy integration side and it looks like we are getting to the point where you are hitting what you've announced. I guess the question is, is there synergies – quantifiable synergies above and beyond not what we're all expecting in '08?

<A – Robert Greifeld>: Definitely Rich. I think it's important to recognize that we have not yet consolidated platforms through either the Nordic cash equity marketplace or the Philadelphia Stock Exchange platform. So, our plan is to leverage our INET platform, really our modified INET platform for both Philadelphia and cash equities in the Nordic. So as we do that, in 2009 that will have a beneficial impact in our expense base. It's important to recognize that that impact – if you remember back to INET approved, it generally comes in a couple months after we do the conversion.

<Q – Richard Repetto>: Okay. So we're not really ready to talk any ballpark numbers on that subject?

<A – Robert Greifeld>: No, we're not. But, I think when you realize that we haven't consolidated the platforms yet and that is a substantial driver of expenses, there's obviously further opportunities.

<A – David Warren>: And, Rich, another driver of expense is less than, obviously, the benefits you get from platform technologies, some other actions that we're working on with real estate consolidations. And as we've said before, as we now integrate these and operate as one company, we literally will be able to roll all of this into our outlook of full-year expenses for '09, which we'll do sometime in early '09.

<Q – Richard Repetto>: Okay. And then, I guess the follow-up question would be on clearing. Bob, you're doing a lot – the investing in the EMCF and IDCG and clearing appears to be of more strategic value to exchanges. I guess the question is, I know that – is there a broader strategy, can you tie all this together? I know the EMCF Fortis was having some problems. Was that just sort of supporting them, or is there a broader strategy that you have in your mind?

<A – Robert Greifeld>: Well, there definitely is because beyond the two that you've mentioned, we have obviously stated very clearly that we intend to use the clearing license associated with the Boston Stock Exchange, and I think it's important to recognize that the Nordic derivatives business is cleared through our clearing house today and Nord Pool. The Nord Pool acquisition is a – fundamentally a clearing operation. So, from a standing start, we went to five strategic opportunities and there is a overall plan, and it's clear we want to be in the clearing business. It has similar dynamics to the trading business where we can lever our extreme efficiency as we build scale in this space.

<Q – Richard Repetto>: Okay, and very quick last question is for David. What is the effective tax rate now, if we're up net by 1 to 2%, but you did do 35 or so percent pro forma?

<A – David Warren>: Well I think – again, I talked about different tax planning things that we're working on. But I think the – what I think what you need to use going forward is about where we settled out for this quarter, adjusting for the FX, the contracts, so 35, 36 in that range.

<Q – Richard Repetto>: Okay. Congrats on a solid quarter, guys.

<A – Robert Greifeld>: Thank you, Rich.

Operator: We'll take our next question from Dan Fannon with Jefferies.

<Q – Daniel Fannon>: Good morning, guys.

<A – Robert Greifeld>: How you doing?

<Q – Daniel Fannon>: Good. I want to talk a bit about Europe and what's happening there and really the overall appetite for these – for your venue and others that have recently been launched given the market turmoil that's gone on. How quickly do you expect, kind of, volumes to ramp? And then also some of the impacts of the tariff fees that the LSC has kind of recently put out there in terms of people routing to their exchange?

<A – David Warren>: Well, first I'd say we see great opportunity in Europe in the post benefit world and as we look at the European theater, we certainly see that the capture rate has been dramatically higher than what we see in the United States, and we operate on the premise that within 24 months the market structure, market pricing, will be indistinguishable between the U.S. and Europe. And we also recognize the opportunity to drive increased velocity into the European marketplace as a result of that. So their volume and trading, their velocity is not near what we have in the States and clearly part of that is because of the friction of the trading in the current marketplace.

So just a large opportunity. We're in it for the long-term. We're running ahead of plan. I think it's amazing what our team has done to be live on a five-month plan. As I said in my prepared remarks, we have 50 customers who have committed to connect to us, and we're in the process of making that happen and the volume continues to grow. So we're excited about that.

With respect to the tariff and the LSC, I would say that we're evaluating that right now as we speak and we will be responding in due course with respect to that tariff.

<Q – Daniel Fannon>: Any thoughts in terms of when this initiative could be accretive to earnings and/or reach a level – or what type of volume level we should be looking at our market shares to be in positive numbers?

<A – David Warren>: It's great question. And the key point to recognize, and it ties back to the overall theme of our operations, is that we're trying to build up what we call massive scale. And so, we're putting this incremental volume against a common platform where the marginal cost of the transaction is every low. And that's also aided and abetted by the fact that we had a London operation, old OMX had a London data center that we're able to lever. So, the all-in-cost for us to start our MTF in Europe was remarkably low. And therefore, our ability to get to profitability is surprisingly low with respect to the volumes that we had to do. So, it's certainly our expectation that sometime in 2009 on a run rate basis that this will turn into a profitable endeavor for us.

<Q – Daniel Fannon>: Okay, great. Thank you.

Operator: We will take our next question from Roger Freeman with Barclays Capital.

<Q – Roger Freeman>: Hi, good morning, Bob and...

<A – Robert Greifeld>: How are we doing there, Roger?

<Q – Roger Freeman>: Okay, thanks. So, I guess – let me just come back on Europe a little bit more. One, you went to basically a zero spread on pricing, so I'm curious what drove that. Was that due to not getting any traction early on? And secondly, Bob, I think you commented that you're seeing $150 billion, if I heard that right, in order flow daily. Can you put that into some context? Because if you kind of – the whole U.S. market, for example, yesterday was $267 billion. I guess it sounds like a pretty big number?

<A – Robert Greifeld>: It is a big number. And obviously recognize, Roger, that orders have be ability to be canceled and re-entered, and with the Algo traders that we work with. So in a real sense, that number is larger as a result of that.

Tying back to your first question, it was part of our, I think, game plan that we mapped out as we launched the effort, that we'd be aggressive on pricing. We wanted to make sure that our systems were ready and we had a certain minimum level of customer connectivity before we did it. So, we have a game plan in our mind. We're following that game plan, and the game plan is not about today, tomorrow, or the next quarter. It goes on for a while. So we have a plan and we're executing against it.

<Q – Roger Freeman>: So, your game plan when you went after the NYSE listed was to offer very attractive pricing to bring volume in and that you may – you initially routed mostly and then eventually started actually matching. So, can you just, I guess, talk to whatever order flow has been executed, what the percentage is that's routing? Can you actually give us any actual executed volumes so far?

<A – Robert Greifeld>: I don't have those numbers at my ready and that's not what we're using to judge our success right now. I mean, we'll provide that in the future, but we look for different metrics to measure our progress at different points in time. And as we did was, we competed with New York, the last thing we focused on in the beginning was how much match volume we had. It really was how much orders are coming into the system and as you're guessing, that is our focus right now. That's the important metric that we manage by.

<Q – Roger Freeman>: Has there been any from – I guess, a dealer perspective, has there been any pushback on these new venues? We've heard that there has been sort of, maybe some broker fatigue in NYSE last week so that they delayed until the beginning of the year because the dealers didn't want to deal with another exchange. So I'm just curious what your feedback has been?

<A – Robert Greifeld>: Well, I think the numbers speak for themselves. We have 50 customers committed to connect, obviously not all of them are connected at this point, but they're all working with us, to connect. And I think we come into that marketplace with tremendous credibility. One, in that we are an organization that does what we say we are going to do. Two is, the technology is proven. And three, they have known that we would be an aggressor in the marketplace with respect to pricing strategy. So it has not been difficult for us to get the customer's share of mind.

<Q – Roger Freeman>: Okay. And then just a couple back on the U.S. market, if you look over the past couple or three months, market share across really all venues has been probably flattish, there haven't been any real trends. And I guess my question is, do you – do you see some sort of a status quo developing here? We haven't really seen any meaningful pricing moves either or – are you – fair to say, you are sort of focused elsewhere, that there's no big moves planned on this front?

<A – Robert Greifeld>: Well, I am not going to give you too many forward-looking statements on what we might do from a pricing point of view, but I would definitely point out that we will be launching Boston as a second venue and that would give us probably some increased flexibility on pricing without having a direct impact on all the other business that we do. We expect to launch that in January of 2009.

And I would also say that, certainly the trend line for Tape A is very positive and we continue to expect that that will continue. We've always said that there will be fits and starts and we need to look at the longer term trend line, not day-to-day, so we're committed to maintaining our progress on Tape A. With respect to Tape C, we're certainly focused on the profitability of that venue for us and we're very pleased with the pricing actions we've taken today and we're pleased with our pricing capture in balance with our market share. So I think we're capably led in terms of how we're deciding to approach that market.

<Q – Roger Freeman>: Okay. And quickly, the sequential decline in pricing can pretty much just be chalked up to the higher volumes and customers hitting higher tiers. Is that fair to say?

<A – Robert Greifeld>: You got it, Roger. When we have high volumes, we never do as well as people think, and when we have low volumes we never do as poorly as people think.

<Q – Roger Freeman>: Got it, okay. Thanks.

<A – Robert Greifeld>: Thank you.

Operator: [Operator Instructions]. We'll go next to Brian Bedell with Merrill Lynch.

<Q – Brian Bedell>: Hi, good morning, guys.

<A – Robert Greifeld>: How are we doing?

<A – David Warren>: Hi, Brian. How are you?

<Q – Brian Bedell>: Just a couple questions and one on the cost saves, again the $100 million run rate is by the end of the quarter for OMX, and then if you can talk about Philly what your delta is for cost saves in 4Q '08 versus pro forma third Q '08?

<A – Robert Greifeld>: Yeah, I...

<A – David Warren>: Yeah.

<A – Robert Greifeld>: We can go. We haven't given those numbers...

<A – David Warren>: Yeah, we haven't given out Brian. I think the – I think the point on Philadelphia is most of the expense saves given the actions we took, the majority of expenses were recognized in this quarter and then continue on into the fourth quarter because we took all these actions at closing.

<Q – Brian Bedell>: Okay.

<A – David Warren>: But I can come back to you on that.

<Q – Brian Bedell>: Okay. And then just one follow-up on – back on Europe again. Can you talk about how EMCF fits in with your strategy? I understand that at least initially people were reluctant to use the platform as Fortis is going through some difficulties. Can you just talk about how that's been rectified and what your strategy is with that clearing platform dovetailing with your Pan-European effort going forward from here?

<A – Robert Greifeld>: Sure. Well, first I think the difficulties at Fortis ran into were an opportunity for us to increase our equity interest in the enterprise. And I think it's important to recognize that with EMCF that all the participants who were on the system before Fortis ran into trouble, are back on the system today. And clearly EMCF represents a new paradigm for Pan-European clearing both from a – an approach to solving the problem and two, from a cost structure. So they are aligned with us, as they are aligned with other MTFs in the space, whether it be Chi-X and/or BATS. So we see this as part of the new wave just as our MTFs are part of the new wave for Pan-European trading and we're excited to be involved with it and we think it's certainly a great business opportunity for us, but probably more importantly it's an enabler for increased competition on the trading site.

<Q – Brian Bedell>: Okay, great. And if I could just ask one more on just kind of market technology; we understand seasonality impacted the results in the third quarter. Going into the fourth quarter, should we expect in addition to the accounting issues that you talked about, should we expect some backlog to accrete back into that revenue run rate?

<A – David Warren>: Yeah, there are some seasonal effects in the third quarter, so you can expect some of that to come back in, in the fourth quarter.

<Q – Brian Bedell>: Right, and then also from a product – from sort of a project pipeline perspective...?

<A – David Warren>: Yeah, but that's also part of the seasonal impact. So as development picks up, delivery increases and more revenue can be recognized.

<Q – Brian Bedell>: Okay, great. Thank you.

<A – David Warren>: Thank you.

Operator: We'll take our next question from Daniel Harris with Goldman Sachs.

<Q – Daniel Harris>: Hi, good morning guys.

<A – David Warren>: How are we doing, Daniel?

<Q – Daniel Harris>: I am doing well. On the Euro MTF, again one of the things that we saw this past quarter with the LSC having some issues is that the – it could be people that are now trading on the various MTFs use it more as a trading vehicle rather than a price discovery vehicle. How do you guys see that changing? Is there a certain tipping point in terms of market share on any single MTF that's going to be required to make that shift or do you think that there will always be more for the arbitrage plays rather than price discovery?

<A – Robert Greifeld>: Well, we certainly believe that price discovery will happen outside the primary market. We also recognize that Rome was not built in a day and that will take some time. And I think the broad dissemination of market data is part of that building process that has to happen. So clearly us and the other MTFs have to have a clearly articulated and executed market data strategy for price discovery to break away from the traditional marketplaces.

<Q – Daniel Harris>: Do you think that has anything to do with a certain level of market share or it's just a strategy?

<A – Robert Greifeld>: Well, I think you need dissemination of the data, broadly disseminated. If you have that and you have connectivity to the various routers, then it's very easy for price discovery to move to different venues. And I compare and contrast it to what we have here in the United States, where in the United States we have a regulatory mandated consolidated quote. We don't have that in Europe. I think in Europe we'll get to a better state of being than in the States, because commercial efforts will commence to make sure that there is an effective consolidated quote and that's part of the mission that we're on to make sure that that infrastructure is built.

<Q – Daniel Harris>: Okay, great. And then just as a follow-up, on the NASDAQ clearing quote that you guys announced, obviously there is probably a couple of different stages of strategy for you guys with regards to what you're looking for. So two things; one, what's sort of like your early mid and long-term goals here? And then I think for David, just can you remind us how we should think about the savings, when they should come in to your system from a self-clearing mechanism?

<A – Robert Greifeld>: All right. The first question is with respect to our clearing efforts here associated with the acquisition of the Boston Stock Exchange and its clearing license. We need to get regulatory approval and that's the first mission, there clearly is a piece of technology that has to be built to support that. But I think like in many of our endeavors, the long pull will probably be the regulatory approval. We're starting with that process. We are shooting for a third quarter 2009 launch. And hopefully we'll be able to beat that date, but right now that's the target date.

All right, and the second question was?

<A – David Warren>: Yeah, I think the second question was, I mean, I think if we go back to – I think if we go back to prior conference calls and conversations we've had about this, we talked about the clearing business and working on that license as a way to save approximately $14 million of clearing charges that we incurred on behalf of our customers. We really accomplished that benefit when we stepped out of the trades this year on...

<A – Robert Greifeld>: In July.

<A – David Warren>: On July 11. But nonetheless, obviously it's still important strategically to proceed with that and there will be additional savings when the license is put in place on the routing side of the business.

<Q – Daniel Harris>: Thank you.

<A – Robert Greifeld>: Thank you.

Operator: We'll take our next question from David Grossman with Thomas Weisel Partners.

<A – Robert Greifeld>: How we doing, David?

<Q – David Grossman>: You talked a little bit, Bob, about consolidated quote, the options business, and Europe on the INET platform. Can you give us a framework to think about incremental cost savings that come from that initiative?

<A – Robert Greifeld>: Well, let me make a general statement. It's our intention to give expense guidance for 2009, and the expense guidance we'll give will be for the combined organization. So as I believe we mentioned the last call, we're driven to the point of value that we articulated with the deal announcements and we are running this as one organization. So as you look to '09, this one integrated organization will provide expense guidance.

The only thing I'm saying in a very general sense today is, we have systems left to consolidate, and those of us who've followed the NDAQ's progress over the last number of years know that as we consolidate systems it has a definite measurable, a positive impact on our expense structure, and that will be happening sometime during 2009.

<Q – David Grossman>: Are there any historical data points you can give in terms of brood or anything like that that would help us to at least initially think about that?

<A – Robert Greifeld>: Yeah, we don't have those numbers at our fingertips, but let us work on getting back to you with some sort of indication, but I would definitely say that the most direct guidance we'll give will be as we have this call next quarter.

<Q – David Grossman>: Okay, fair enough. On – I think you've touched on this in the past, but I'm wondering if you could just remind us of how to think about the impact of the – taking the Boston license and offering another tier of pricing. Can you just – again at a high-level – just remind us of how that can impact the business?

<A – Robert Greifeld>: Yeah, well, two things. One, understand in the U.S., we've talked about the consolidated quote and as revenue sharing associated with your market share in that consolidated quote. And the revenue share has a quite complicated formula that has a bias towards the low market share venues. So, clearly that's a motivation for the second license. And additionally, the other license gives us pricing flexibility, because we have a high-level market share today in Tape A, Tape B, and Tape C through our NASDAQ license and to the extent we can make any pricing moves, you are continually trying to regression test to see how that impacts the market share you have. With the Boston license, we don't have that level of complication. We'll be given, I think, additional flexibility and different experimentation. And underpinning all this is that the cost for us to put the Boston license up, because we're levering technology that we have, and the systems we have today, is quite low.

<Q – David Grossman>: Okay. Got it, thanks. And then just one last question for David. I think the question came up earlier about the tax rate. So is 35 to 36 a fair rate to just use for the fourth quarter or can we actually use that going beyond that as well?

<A – David Warren>: No, I wouldn't guide you to use it beyond the fourth quarter. As I said in my prepared remarks, there are number of things we are working on from a tax planning perspective, but – and I think it's our plan to continue to obviously book for opportunities and to update you on those opportunities as they – as we realize some of them. So, I would just guide for one more quarter.

Operator: [Operator Instructions] We'll go next to Mike Vinciquerra with BMO Capital Markets.

<Q – Michael Vinciquerra>: Good morning. Just a question on the OMX side of the business. The synergies obviously, you achieved them much fast than expected. Is there any impact from the fact that the OMX business seems to be underperforming a bit, whether it be because of market conditions or just in general the trading volume and the revenue generation that hasn't – I guess, I would assume than which you would have hoped for. Any impact on the expense structure just from that alone?

<A – David Warren>: No. Good, bad or indifferent, no. The OMX business model certainly in the cash equity, is we think superior to what we have here in the States where they get paid on value traded. So, over the long term we're very happy with that model, but clearly we're suffering through that in 2008 with the dramatic declines in the indices. So no impact on the expense structure, better business model long-term, we have to live through it this year.

<Q – Michael Vinciquerra>: Okay. And the sharp decline in revenue per transaction on the equity side is strictly related to the value of the market going down?

<A – David Warren>: Yes.

<Q – Michael Vinciquerra>: Okay. And then, the second question is on your two recent acquisitions here, the Nord Pool and Bloom. Can you provide any detail for us whatsoever as we look to our models in future quarters as far as what revenue and expense impact might be, at least for Nord Pool, which has obviously already closed?

<A – Vincent Palmiere>: Hi, Mike. We do have in the presentation, we do have some financials with respect to Nord Pool, but it's also true that with that transaction just closing, we are definitely working hard on integrating it and can be updating that information as we move forward.

<A – Robert Greifeld>: And let me just provide some color with respect to the Nord Pool operation. It currently runs on our technology, old OMX technology, so we clearly have synergy capabilities there. It derives a fair percentage of its revenue from a clearing operation, and that clearing operation certainly has the potential to be levered together with our Nordic derivatives clearing operation. So I would definitely think of Nord Pool in the context of other transactions we've done, with a similar return to our shareholders.

<A – David Warren>: Yeah. And again, as Bob and I have both been saying today that's all gets incorporated in 2009 operating plan and then would be captured in the full-year guidance, expense guidance with you.

<A – Robert Greifeld>: Yeah. And we also have a fundamental view that the organic growth opportunities in the markets that Nord Pool serves are probably higher than many of the businesses in NASDAQ OMX today. The power industry has a great future in front of it, and clearly, with certain legislative changes, the carbon market could become a very large opportunity for us.

<A – Vincent Palmiere>: Hey, Mike, it's Vince. Just quickly on the number that David referenced in our presentations that we've used – in the first eight months of this year, 48 million in revenue, 13 million in operating income, and 12 million in synergies.

Operator: We'll take our next question from Rob Rutschow with Deutsche Bank.

<Q – Robert Rutschow>: Hey, good morning.

<A – Robert Greifeld>: How you doing there, Rob?

<A – David Warren>: Hey, Rob.

<Q – Robert Rutschow>: Good. First question would be off – on the MTF in Europe, you talked about having the 50 customers committed to connect, so can you give us an idea of how much of existing volume for the existing markets, those 50 customers represent? How many of those you have hooked-in currently, and when we might expect you to have all 50 fully connected?

<A – Robert Greifeld>: Okay. First, I'll make this broad statement, that we have expect that 90, 95, 99% of the order flow in the European markets will be connected to us sometime in 2009. So as we go and meet the customers there and we've built the team to relate to those customers on a daily basis, we are encouraged by the reaction we're getting and the desire of the customers to avail ourselves of these services. So these are interim checkpoints that we have, 50 is not the end state number. We expect to cover the entire market. And, I forgot the second part of your question.

<Q – Robert Rutschow>: Well, I mean, I think you've sort of answered that.

<A – Robert Greifeld>: Good. I always like to answer the questions.

<Q – Robert Rutschow>: Okay. The other question would just be related to the Fortis clearing arrangement. Does your ownership stake give you any sort of say or ability to contribute to the operations there or to reduce your own cost of clearing, below – sort of, market rate?

<A – David Warren>: Well, I don't want to speak for EMCF, but clearly, they have demonstrated leadership on pricing for clearing services in Europe and that's our expectation that the leadership will continue. And we will obviously have Board representation, but I think it's very important to recognize that this is not a enterprise that we have desire to own, 100% of. In fact, we are encouraging other participants to take ownership stakes in the enterprise. I think you will see that happening in the months to come. And, when we look at EMCF, it's important not just to think about it with respect to what we are doing in London and our MTF. It's probably more important to recognize what it means in the Nordic marketplace. In the Nordic marketplace, this is a brand new service, the central counterparty clearing services, and it has the ability to dramatically reduce the cost, the all-in cost of trading for participants in the Nordic market, in particular those participants who are domiciled outside the Nordics. And as we've seen here in the States and we are seeing now in Europe, as we reduce the friction cost in the market, the velocity will increase. So, we expect to get a dramatic benefit from the introduction of central counterparty clearing in the Nordic on the trading side, and clearly that benefit will be accelerated as we put the INET platform into the Nordics in 2009.

Operator: We'll take our next question from Don Fandetti with Citi.

<Q – Donald Fandetti>: Hi, good morning. Bob, in terms of your outlook for cash equities, do you think there is going to be any impact from the whole hedge fund redemption issue? And maybe you can talk a little bit about who has been more or less active. We've heard some of the smaller stat R players have been absent. Can you just talk about those issues?

<A – Robert Greifeld>: Sure, well, there are certainly issues that we think about and talk to our customers about to try to get a handle on what the future might look like. And what I would say today is that we clearly know that our volume is directly, and I mean very directly correlated, to volatility in the marketplace. So, if there is volatility, there is volume. And that volume comes from a multitude of players.

Obviously, there are many different types of hedge funds. Certain give us high volumes and others not so high. So our feeling is that in the near-term and medium-term we don't see volatility going back to what we'll say are normal levels in the economic times we look at. So, we feel comfortable in that. As we analyze our customers, again, I think I've said this before, the highest volume customers we have are those that add tremendous amounts of liquidity to the marketplace, do not operate in the leverage environment, in fact, try to go flat at the end of the day. That is neither long nor short. So, we feel quite secure with that as the underpinning of our customer base, and with continued volatility in the market, that the volumes will continue at a good rate.

<Q – Donald Fandetti>: Okay. That's all I had. Thanks.

<A>: Okay.

Operator: We'll go next to Patrick O'Shaughnessy with Raymond James.

<Q – Patrick O'Shaughnessy>: Good morning.

<A – Robert Greifeld>: How are you doing, Patrick?

<Q – Patrick O'Shaughnessy>: Good, good. I want to ask you about the DTCC LCH. Clearnet announcement that they are going to basically join forces. Do you think that the reaction to some of the steps that you've been talking both in the U.S. and Europe? And I guess the follow up to that would be, how do you see that affecting you if at all?

<A – Robert Greifeld>: Well, I would say this. When we look at the clearing space, there's been an absence of real competition. So, when that happens, there's clearly inefficiencies that can build in the various competitors in the space. We are quite comfortable and confident in our ability to bring a competitive product offering that will be cost effective, that can truly represent innovation in the service. So, when you look at the fact that we went from zero clearing opportunities to now where we have five different efforts, you can definitely conclude that we see large opportunities to bring a traditional NASDAQ OMX competitive spirit, leading with efficiencies, driving value to our customers, and I think that value preposition is there whether there are mergers between competitors in the industry or not.

<Q – Patrick O'Shaughnessy>: Got it. And then, my follow up question would be on the Agora-X joint venture that you have with FCStone I believe, there is news out the last week that it's going to be seeking permission from the regulators to launch a swap on some egg products. Curious if you could provide an update on where you see the Agora-X venture going and how soon you think it might be 'live' and what you think the impact might be for you?

<A – Robert Greifeld>: I am going to let Chris Concannon handle this question.

<A – Christopher Concannon>: Thanks, Bob. On Agora-X, obviously we are very excited about the venture and the position that they fit in, certainly on the over-the-counter commodities, and they have asked the CFDC for an exemption to allow over-the-counter commodities certain swaps and to clear through centrally cleared clearing houses that are regulated by the CFDC. So, we are waiting for that exemption to be analyzed by the CFDC. The plan right now for Agora-X is to launch in the next – in this quarter with obviously over-the-counter trading that are bilaterally cleared first. And so we are excited about that near-term launch right now.

<Q – Patrick O'Shaughnessy>: Great. Thanks, Chris.

Operator: We will take our next question from Mike Carrier with UBS.

<Q – Michael Carrier>: Thanks, guys. Actually, two questions kind of related, but just on the European platform, and then also on the NASDAQ options. Is there a certain level of volume where you feel like you are going to breaking even? If we get into 2009, and volumes pull back, do you think that you have enough synergies from kind of consolidating the platforms, that you can still breakeven there?

And probably a bigger picture question, and maybe this is for David. If we do eventually in 2009, get the 15 to 20% pull back in volumes. How are you guys balancing? I mean, you have a lot of initiatives where you need to spent for maybe a good 2010 as volumes normalize, yet, you may be under pressure in the short-term, if you do get that decline in volumes. Just on the expense base, besides variable comps, maybe volume-related expenses, what areas do you think it could pull back on and not put at risk any of the longer-term initiatives?

<A – Robert Greifeld>: Great question. So, one is we'll certainly agree and knowledge that we are investing for our future in several very important ways and that makes the results that we have printed today, that much more exciting. So, in real sense, we have more money going to investing in our future than I recollect during my time here at NASDAQ. We are committed to being in the U.S. Equities Clearing space and we're committed to that investment. We're committed to growing a make-or-take of pricing model in the Options space. We have a long-term commitment to the European market, the European MTF market. And we clearly believe there's opportunities in over-the-counter derivatives, in particular with interest rate swaps and we're committed to that investment. And, I think our track record on – in these types of investments are incredibly high and we are very comfortable with the fact that we are properly positioned in each and every one of them. And these will provide returns to our shareholders in the quarters to come.

As we look at 2009, we are certainly benefited by the fact that we are still on our mission to essentially right-size the expense structure in this organization. So, if we look at a difficult 2009, we clearly still have many levers to pull on the expense side that we are working on today.

It's impossible for us to predict what the volumes will be in 2009, but as I've said, we see that volatility is a direct driver of our volumes and we continue to live in volatile times, I think it's a reasonable guess that we'll have that for the quarters to come.

<Q – Michael Carrier>: Okay. Just one quick follow up for David. If I just look at the operating net income, I think the adjusted – the 109.7. And then, the diluted share count of 214.2, is there anything else in there because if you just divide it, you get $0.51. I'm just trying to figure out if it's a different adjustment to get to the 52.

<A – David Warren>: Yeah, you have to add-back the interest on the converts which is about 600 – 700,000. That will take you up a bit.

Operator: We'll take our next question from Justin Schack with Rosenblatt Securities.

<Q – Justin Schack>: Good morning guys. Thanks for taking my question.

<A – Robert Greifeld>: How are we doing there, Justin?

<Q – Justin Schack>: Doing well. Thanks Bob. How are you?

<A – Robert Greifeld>: I remember you being on the other calls, now you are on the investor calls.

<Q – Justin Schack>: Yeah, I've crossed over to the dark side. Just quickly on the – on credit derivatives, you guys are the only major kind of global multi-product exchange group that hasn't entered a dog in this race. Do you have any plans to try to solve the problems with the regulators in the industry that have identified in credit-default swaps?

<A – Robert Greifeld>: Today, we do not. We're clearly focused on a number of different clearing initiatives. We've liked the initiatives we've chosen to focus on and at this point, it does not include credit default swaps.

<Q – Justin Schack>: Any chance that that might change? Is this a situation that you're at least monitoring?

<A – Robert Greifeld>: Well, we certainly monitor, that's our job to understand what's going on in our space, but we don't see that as being a situational change in the foreseeable future.

<Q – Justin Schack>: Great, thanks a lot.

Operator: We'll take our next question from Edward Ditmire with Fox-Pitt Kelton.

<Q – Edward Ditmire>: Good morning guys.

<A – Robert Greifeld>: How are you doing?

<Q – Edward Ditmire>: Can I get an update on your latest thoughts of what the markets and the regulators might do as far as implementing short-sale restrictions that might include a reinstatement of the uptick rule or the – or the – single-stock circuit breakers that haven't been discussed in the media. Where do you think that's going? And if you could, talk about what volume impacts might result?

<A – David Warren>: Well, the first think I would say is that whether it be an uptick rule or a circuit breaker, we don't see that having any impact on volume. It's the outright band of short selling that creates volume issues and also market quality issues and we don't see that coming back.

So, these issues are not so much economic for us, but more about the proper market structure. And I believe the dominant fact that needs to be focused on right now, is the fact that since the SEC put in their rules limiting the ability – or limiting – or eliminating the ability to make it short. We've seen the number of stocks on the threshold list decline from 443 to 95. So, it's a clear indication the rules are working. I think we'll see that number go down even further. So we're happy from a market quality point of view, but whatever is contemplated, won't have any impact on our trading volume.

<Q – Edward Ditmire>: Just one follow up on that. Some people have put out there an uptick rule that would have – rely on nickel increases and the price on the last tick before allowing a short sale. Would very onerous uptick rule like that impact volumes?

<A – Robert Greifeld>: First, I think if we do anything like that, it would have to go through a common and review process from the SEC. I think that common period would be long and certainly a lively debate if it was to come about. But, again, we see the only substantial impact to volume is when there is ban on the short-selling, not so much any restrictions.

Operator: And that does concludes today's question-and-answer session. At this time, I'd like to turn the call back to our speakers for any additional or closing remarks.

Robert Greifeld, Chief Executive Officer

Well, I certainly thank you for your time here today and we look forward to talking to you in the – in three months. So, thank you.

Operator: Once again, that does conclude today's call. We do appreciate your participation you may disconnect at this time.