PARTICIPANTS

Corporate Participants

Vincent Palmiere – Head-Investor Relations
Robert Greifeld – Chief Executive Officer & Director
Lee Shavel – Chief Financial Officer & Executive Vice President

Other Participants

Michael Roger Carrier – Analyst, Deutsche Bank Securities, Inc.
Roger Anthony Freeman – Analyst, Barclays Capital, Inc.
Richard H. Repetto – Analyst, Sandler O'Neill & Partners
Howard H. Chen – Analyst, Credit Suisse (United States)
Alex Kramm – Analyst, UBS Securities LLC
Niamh Alexander – Analyst, Keefe, Bruyette & Woods, Inc.
Jillian Miller – Analyst, BMO Capital Markets (United States)
Chris Harris – Analyst, Wells Fargo Securities LLC
Daniel T. Fannon – Analyst, Jefferies & Co., Inc.
Matthew S. Heinz – Analyst, Stifel, Nicolaus & Co., Inc.
Brian B. Bedell – Analyst, International Strategy & Investment Group, Inc.
Jonathan Casteleyn – Analyst, Susquehanna Financial Group LLP
Rob C. Rutschow – Analyst, Credit Agricole Securities (USA), Inc.
Patrick J. O'Shaughnessy – Analyst, Raymond James & Associates

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the NASDAQ OMX Fourth Quarter 2011 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 follow 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, Vince Palmiere, Vice President of Investor Relations.

Vincent Palmiere, Head-Investor Relations

Thank you, operator. Good morning everyone, and thanks for joining us today to discuss NASDAQ OMX's fourth quarter and full-year 2011 earnings results. Joining me are Bob Greifeld, our Chief Executive Officer; Lee Shavel, our Chief Financial Officer; and Ed Knight, our General Counsel.

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

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

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

Robert Greifeld, Chief Executive Officer & Director

Thank you, Vince. And thank everybody for joining the call this morning. I'll begin by spending a few minutes highlighting our results, and then update you on our plans going forward. Lee will then walk you through the detailed financials.

For the fourth quarter, we delivered solid results as we grew net revenues, income and earnings per share from prior-year levels, despite the backdrop of a challenging volume environment. Non-GAAP EPS was $0.63 for the quarter, up 15% from the $0.55 in the fourth quarter of 2010. For the full year 2011, results were truly outstanding, as we set new records across the board. Net revenue and non-GAAP net income grew 11% and non-GAAP diluted earnings per share grew 27%, to $2.53. This is a remarkable achievement that caps a four year run in which we've grown our earnings per share by an average of 14% per year, and highlights the success of our strategic plan as it was delivered during a period in which we operated in ultra-competitive environment with weakening macroeconomic drivers.

During this time, we saw equity trading volumes decline, industry employment levels retreat and fewer companies going public. When viewed through the harsh reality of this operating environment, our results over the last four years reflect truly exceptional performance. Our ability to grow the business has been achieved by focusing on three key elements of our strategic plan. First, investing in new organic growth initiatives, second, making sound acquisition decisions; and three, managing our capital efficiently. The execution of this plan has resulted in the diversification of our business and a broadening of our product offering.

This past year was the second consecutive year in which derivatives trading revenue exceeded those of cash equities, as revenues grew 18% from 2010, and that is average growth of approximately 15% annually over the past four years. Other areas in which we've chosen to diversify have also grown. In Access Services, revenue grew by an astounding 29% in 2011 and have grown by an average of 24% annually since 2007. Corporate Solutions has a four year compounded average growth rate of 14%, Market Technology has a four-year CAGR of 12% and U.S. Market Data revenues have grown an average of 10% annually.

The chart on slide five of our presentation does a good job of highlighting the success of our diversification strategy. Today, 14% of our revenues come from trading cash equities, down from 23% in 2007, and two-thirds of that revenue is generated from product and services that are recurring in nature. It is this solid base of recurring revenues that provides the foundation for our strong cash flow model, a model that has allowed us to invest in new initiatives and make strategic bolt-on acquisitions while also returning capital to shareholders. While revenues have grown, it is important to note that we've been able to deliver this growth while maintaining strong operating margins. In 2011, our non-GAAP operating margins came in at 46%, on par with the full year of 2010, but up significantly from a 38% margin we achieved in 2007.

Now turning to the details of the quarter. Within our Market Services business segment, despite a slight decline in industry volumes, we managed to grow our U.S. equity matched volumes by 7% from prior year levels as market share improved. In the quarter, our total share was 21.3%, up from 19.6% in the fourth quarter of 2010, due primarily to the success of our investor support program known as ISP. This program is designed to attract retail and institutional order flows while rewarding firms that exceed certain liquidity provision and execution requirements. We're encouraged by the progress of this program and remain confident about its continued success.

Within U.S. Options, we witnessed growth in the number of market makers in the NASDAQ Options Market, which we attribute to the migration of NOM to the PHLX technology architecture during the third quarter. We also saw growth in new members at PHLX from those looking to trade in our open outcry market and with our new, improved complex order functionality.

In the Nordics, N2EX continues to grow at an impressive rate, and they ended the year with 34 members in 15 companies trading UK power futures. Scottish Power became the third of the six large UK utilities to commit to bidding arrangements in N2EX's day-ahead auction. This follows earlier commitments from E.ON and SSE. Just last week, Drax Power, the largest independent power producer, became the most recent member of N2EX. During the fourth quarter of 2011, total cleared volume was 20.3 TWh, up from 9.7 TWh in the prior quarter, over 100% growth quarter-on-quarter; truly impressive. In Nordic Equities, we announced intentions to introduce competitive central counterparty clearing in cooperation with EMCF, EuroCCP and SIX x-clear. Interoperability will allow members to choose between multiple clearing houses to clear and settle trades. We expect this initiative to be implemented by the end of April, subject to the necessary regulatory consents or approvals.

In the fourth quarter, we also launched Genium Risk, a new risk management platform for the Nordic clearing house. This is a state-of-the-art system that provides a clearing house with real-time risk management solutions, including tools for improved risk monitoring and handling of incidents for derivatives clearing. And plans for a member default fund for our clearing house are on target for the end of the first quarter. Establishing a member default fund should free up approximately US$100 million, in capital once it has been established.

Within Access Services, revenue grew 17% over the fourth quarter of 2010, driven by the addition of FTEN and increased demand for services. During the quarter, we continued to invest in our beyond the match strategy, which is being developed to help our broker-dealer customers across the globe meet their changing business needs and evolving regulatory requirements. We'll share more with you about these exciting new developments within the strategy as the year progresses.

In Market Data, we diversified into new content with the acquisition of a business that provides machine readable economic news. This business, called Event Driven Analytics, delivers U.S. government and other economic indicators to a variety of participants.

Moving on to our Issuer Services business segment, revenues grew from the fourth quarter of 2010 on the strength in demand for our corporate solutions. We continued to expand our product offering in Corporate Solutions through the acquisition of Glide Technology, a leading software and service provider specialized in corporate communications and reputation management solutions. By integrating Glide into our Corporate Solutions platform, we are able to create the first and only fully integrated workflow solution for investor relations and public relations professionals.

During the quarter, we're happy to welcome 56 new listings and 16 IPOs, including Groupon, Ubiquiti Networks, Zynga and Jive Software. On the IPO front, things appear to be improving as our pipeline continues to grow, providing us with the largest IPO pipeline in more than 10 years. And we were very successful in attracting companies to switch their listings to NASDAQ. In all, companies representing over $80 billion in market capitalization have switched to NASDAQ. This list includes Blue Chip companies such as Texas Instruments and Viacom, and also contains companies from diverse industries such as Icahn Enterprises, Sallie Mae, Frontier Communication and Wendy's. This was all accomplished in the fourth quarter of 2011.

In Market Technology, the SMARTS Broker Compliance business continued to grow during the quarter, winning contracts with two global brokerage firms, each operating in 28 markets. In parallel with Chi-X Australia commencing operations, SMARTS launched our Broker Compliance in support of the new market, while also securing nearly a dozen new clients for the service. Also during the quarter, Market Technology signed a strategic alliance with the Chilean Stock Exchange and we will provide them with X-stream trading and advisory services for product development and global visibility. Overall, SMARTS revenue grew more than 25% when compared to the year-ago period.

On the whole, we made tremendous progress on many fronts during the quarter. As we look towards 2012, there are some signs that the market is improving. However, challenges remain and this type of environment creates uncertainty for market volumes. Clearly, the year has started slow, but we faced similar challenges in the past and we have found ways to grow. As Lee will discuss in his remarks, the first leg of our strategic plan is yielding results, as our investments in organic initiatives have flourished, and efforts to redefine the markets in which we operate are delivering growth.

Not only are we looking to expand our addressable market, we're also working to ensure that our product and services continue to evolve through innovation and provide increasing value to customers. This type of entrepreneurial spirit has driven us in the past and will carry us in 2012 and beyond. We also believe the opportunities before us, not just internally, but externally as well, are now better than ever. As we've done in the past, we'll continue to pursue a sound acquisition strategy, one that ensures transactions exceed the criteria of our thorough evaluation and approval process.

Finally, we'll continue to make sound capital management decisions. While our strong cash flow model supports all three legs of our strategic plan, we have been particularly aggressive with plans to return capital to shareholders. Since announcing our most recent share repurchase plan in September, we've purchased 4 million shares with a book value of over – aggregate value over $100 million. And from the time we first started our buyback program in March 2010, we have purchased 42 million shares or nearly 20% of our outstanding shares at an average price of $21.47 and compounded value of around $900 million. Our plans for 2012 are to complete the existing repurchase plan and prepare for the next steps of our capital return policy, which will include the consideration of a dividend.

I'll close my prepared remarks by emphasizing the fact that in 2011, our strategic decision making continued to pay-off, as we achieved double-digit growth in revenues and earnings. Investments in new initiatives, contributions from acquisitions, and capital deployment decisions all contributed to our success, despite the backdrop of a difficult macroeconomic environment. As we enter 2012, we remain committed to our strategic plan to ensure that we are well-positioned for growth.

With that, I will turn the call over to Lee.

Lee Shavel, Chief Financial Officer & Executive Vice President

Thank you, Bob. Good morning, everyone, and thanks for joining us today. Our GAAP net income for the fourth quarter of 2011 was $82 million, or $0.45 per diluted share. Results this quarter include $44 million of pre-tax expenses associated with our debt refinancing, the impairment of an available-for-sale investment security, and mergers and strategic initiatives. When excluding the impact of these items, our non-GAAP diluted earnings per share for the quarter were $0.63, an increase of 15% when compared to the fourth quarter of 2010.

Net income reported on a non-GAAP basis was $113 million, an increase of $3 million, or 3%, when compared to the prior-year quarter. Reconciliations of GAAP to non-GAAP results can be found in the attachments to our press release and in the presentation that's available on our website at ir.nasdaqomx.com.

Turning to our fourth quarter operating results, net exchange revenues came in at $422 million, representing an increase of $22 million, or 6%, when compared to the fourth quarter of last year. Within Market Services, revenues for the quarter were $281 million, an increase of $16 million over prior-year results. Cash Equity revenues were $59 million, down $1 million, as value traded in the Nordics declined. Net derivative trading and clearing revenues were $73 million, down slightly when compared to the fourth quarter of 2010, due primarily to lower volumes within our PHLX option market. And in Nordic Derivatives, revenues were flat when compared to the prior year, as increases in index derivative volumes were offset by volume declines in equity derivatives. In the fourth quarter, revenues within Nordic Derivatives were comprised of $13 million from energy and carbon products, $13 million from stock and index derivatives, $5 million from fixed income products, and approximately $1 million from other revenues and fees.

In Access Services, revenues were $56 million for the quarter, an increase of $8 million, or 17%, from last year, due to the inclusion of results from FTEN, which was acquired at the end of the fourth quarter of 2010, and to continued growth in our core services. Market Data revenues were $87 million in the quarter, up $8 million when compared to the fourth quarter of 2010, driven by increased demand for products, modified fees for European products, and higher audit-related revenues. And in Issuer Services, revenues were $93 million for the quarter, up $4 million when compared to the fourth quarter of 2010. Driving this growth was increased demand from listed companies for our Corporate Solutions, higher revenues from European listing fees, and an increase in Global Index Group revenues. Turning to Market Technology, revenue was $48 million for the quarter, up from $46 million in the fourth quarter of 2010, due primarily to fees generated from recently delivered projects. Looking forward, for the first quarter of 2012, we expect Market Technology revenues to be in the range of $44 million to $46 million.

Now turning to expenses. On slide nine, you can see that our total non-GAAP operating expenses for the fourth quarter were $235 million, representing an increase of $19 million, or 9%, when compared to the fourth quarter of 2010. The increase in expenses is primarily driven by the inclusion of results from FTEN and Zoomvision, which were acquired in December 2010. Expenses associated with these acquisitions contributed an incremental $8 million for the quarter. Also contributing to the increase in expenses was the impact of changes in the exchange rates of various currencies as compared to the U.S. dollar, which had the effect of increasing expenses by $1 million. So when you exclude the impact of foreign exchange and costs associated with these new acquisitions, our core expenses increased $10 million, or 5%, when compared to the fourth quarter of last year.

As I've discussed with many of you, in 2012 we are implementing bifurcated expense guidance between core expenses and incremental new initiative spending. The purpose of this improved transparency is to ensure that you have a clear view of our expense management discipline around core expenses, as well as an understanding of where we are making additional investments in new initiatives that we believe have strong growth and return potential.

On slide 11, you can see that for 2012, we expect core operating expenses to be in the range of $915 million to $935 million, plus an additional $40 million to $50 million for incremental new initiative spending, resulting in total operating expenses in the range of $955 million to $985 million.

Also included in the 2012 guidance are approximately $14 million of incremental expenses associated with the recent acquisitions of Glide Technologies, RapiData and the Lithuanian CSD [Central Securities Depository].

On the surface, this guidance reflects an increase in total expenses of about 5% when compared to 2011. However, if you exclude expenses for new initiatives and adjust to include the full-year impact in 2011 of expenses from recent acquisitions of $14 million, you see that costs for our core operations are estimated to be up only 1% in 2012, from 2011 levels. This reflects our continuing commitment to controlling expenses and maintaining the operational efficiency that investors have come to expect from us, while balancing the need to invest in promising growth initiatives with strong growth and return potential.

While providing guidance for new initiative spending is not entirely new for us, I do want to take a minute to walk you through how we're approaching it for 2012. First of all, the funds that we've earmarked for new initiatives are not fully committed at this point. Many of the projects have to complete the comprehensive approval process we use to ensure that they exceed return on capital and profitability thresholds that we evaluate when approving new initiatives. As such, it is possible that the amounts we approve this year may vary from the $40 million to $50 million range; however, based on discussions we've had to this point, we believe it prudent to provide you with some estimate for 2012 investments.

We do expect new initiative spending to grow gradually as we move throughout the year, with approximately $10 million of spending to be incurred in the first quarter of 2012. As a result, expenses for the first quarter are expected to be approximately $230 million to $240 million, within the range of expenses incurred in the preceding two quarters. Investing in new initiatives have always provided organic growth opportunities for NASDAQ OMX, and in turn, enabled us to provide superior returns for investors. Slide 12 of our presentation highlights the revenue and expense of investments we've made over the years. You can see that in 2012, initiatives that are fully deployed are expected to have margins of more than 50%. Our commitment going forward is to apply the same return on investment discipline that has driven us in the past to the new initiatives we plan to launch this year.

Now continuing down the income statement, our non-GAAP operating income in the fourth quarter of 2011 was $187 million, an increase of $3 million over prior-year results as operating margins came in at 44%. And net interest expense was $23 million in the fourth quarter of 2011, a decrease of $1 million from the fourth quarter of 2010, but a decline of $4 million when compared to the third quarter of 2011. Driving the material decline, when compared to the third quarter, is the recent refinancing of our credit facility and the repurchase of $335 million of the 2.5% convertible notes that we completed in October.

Finally, on the income statement, the non-GAAP effective tax rate for the quarter was 32%. We expect the tax rate to be in the range of 32% to 34% in 2012. Before I get to the balance sheet, I want to provide some detail on the $44 million of pre-tax expenses that we incurred this quarter, and that are excluded from our non-GAAP results. These expenses include $25 million in pre-tax charges, of which $24 million is non-cash, following our tender offer to purchase the 2.5% convertible notes. Included were $22 million of an acceleration of unamortized debt discount, $2 million of debt issuance costs and $1 million of other expenses. Secondly, a non-cash other-than-temporary charge of $18 million related to an available-for-sale investment security in Dubai financial market. As of December 31, 2011, the cost basis of this investment security was $36 million and the fair value was $18 million. We determined that the decline in value of the security below its carrying amount was other-than-temporary. And finally, $1 million in expenses related to merger and strategic initiatives.

Moving on to the balance sheet on slide 13, cash and cash equivalents and financial instruments at the quarter-end were approximately $933 million. Of this amount, approximately $504 million is reserved for regulatory requirements and other restricted purposes. During the quarter, we used $37 million for capital spending purposes, bringing our total capital spending for the year to $88 million. And on slide 14, you can see that we ended the period with $2.1 billion in debt obligations, down from $2.3 billion at the end of 2010. Our total debt-to-EBITDA is now at 2.4 times, down from 2.9 times at the end of last year. And finally, as Bob mentioned earlier, under our authorized share repurchase program, we repurchased 3.98 million shares at an average price of $25.10, with an aggregate value of $100 million. This leaves an additional $200 million available under the authorized plan.

Before we open up the line to questions, let me say that we are very happy with the results for the fourth quarter and particularly for the full year, as 2011 was a success across the board. Not only did we grow earnings to record amounts, we also increased cash reserves, reduced outstanding debt obligations, lowered our borrowing costs and continued to return capital to shareholders. In the coming year, we plan to leverage our diversified business model, and the strong cash flow it generates, to invest in growth opportunities while continuing to generate strong returns for shareholders.

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

Vincent Palmiere, Head-Investor Relations

Thank you, Lee. Operator, we're ready to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you [Operator Instructions] And first on the line, we have Michael Carrier with Deutsche Bank.

<Q – Michael Carrier – Deutsche Bank Securities, Inc.>: Thanks, guys. Lee, maybe – first question is just on the expenses. Just given the environment thus far, when you think about the core expenses, I think the flat or up 1% makes sense. On the new initiatives, I guess you guys give the chart and it looks like maybe $29 million of revenues coming in 2012. I guess, in terms of timing of that versus the incoming expenses, how should we think about that? And then, just when you look at the bars that you have on that slide 12, just if you can explain the deployed versus in development, just because it looks like that expense level in 2012, in terms of in development, is a bit higher?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Sure. So I think the important thing to start off with is that, in defining the deployed versus the in development, the deployed projects represent initiatives that really have been effectively launched to the marketplace and have achieved, in our view, kind of core momentum within the business. They're generating revenues consistent with our expectations, and have been established. The in development represents businesses or new initiatives that are currently still establishing their product and distribution. They're characterized by a higher level investment up front in the businesses, and which we expect to generate stronger revenue growth in the years ahead.

Now, as we look forward, what were our expectations are that, for the new initiative spending of $45 million, it consists of a portfolio of new initiatives that have a varying degree of revenue growth across the next three to five years. We look at them primarily from a return-on-capital standpoint, to make certain that they are generating good returns as well as generating strong revenue growth, and ultimately, operating profit growth.

We show everything on page 12, in terms of what we've made in investments, to make certain that everyone appreciates the fact this is not a new activity for us, that we've been able to generate exceptionally strong revenue growth relative to expenses across the past four years in each of these. And as you can see at the bottom, a number of these initiatives that we've identified that are all in the deployed category.

<Q – Michael Carrier – Deutsche Bank Securities, Inc.>: Okay. That's helpful. And then, Bob, just as a follow-up. Given what's kind of transpired throughout last year and then more recently on the M&A front, when you're thinking about capital deployment, the opportunities, whether it's buyback, dividend; what you guys have been fairly good at is the bolt-on acquisitions. How do you prioritize, or how do you think that plays out in 2012 and 2013?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Well, the first thing I would say is, take a little issue. I think we've been very good at the bolt-on acquisitions, not pretty good. And they've worked incredibly well for us. I think we have the great benefit of being able to execute successfully in all three areas. So we talked about organic growth initiatives which you just questioned Lee on. Clearly, we'll do some other acquisitions, and we'll also do capital return. So our business model allows us to really do all three, I think, well and so we don't really see any bottleneck or contingent in those objectives.

<Q – Michael Carrier – Deutsche Bank Securities, Inc.>: Okay. Thanks, guys.

Operator: Our next question comes from the line of Roger Freeman with Barclays Capital.

<Q – Roger Freeman – Barclays Capital, Inc.>: Hi, good morning.

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

<Q – Roger Freeman – Barclays Capital, Inc.>: Good, Bob. Thanks. Just in terms of the new initiatives, can you help us think about the buckets, whether it's by Market Services, Issuer Services, Market Tech, beyond the match, how much of it is that? And then also, you kind of talk about I guess the spending this year with a three to five-year time horizon; what is the track record that you're showing with the slide going back to 2009, show with respect to what the average payback period is?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Okay. Let me start. In terms of the distribution of the initiative dollars, you'd have to say that the larger percentage of the dollars are going into our transaction businesses at this point in time. So whether that be in derivatives, in equities, in commodities, they're consuming the single largest amount of dollars.

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: And I would say, on the payback period, if you look at the chart on page 12, you can see that in 2009, obviously, expenses were higher than revenues, but by 2010 in those deployed expenses, we had really achieved operating profit on those established ventures. It obviously varies project by project, but I would say on average, we generally are reaching our payback period within one to two years on these deployed projects.

<Q – Roger Freeman – Barclays Capital, Inc.>: Okay. That's helpful. Then I guess on capital return, you mentioned that a dividend may be in the offing. What timeframe do you have, in terms of deciding the mix of buyback versus dividends?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Sure. Good question. What I've said before, Roger, is that the dividend question is not if but when, and clearly, we're focused on the buyback and I think the dividend will become more real as we get towards the end of the buyback program. And again, these discussions are all subject to the board voting on whether or not they want to do a dividend. My comment.

<Q – Roger Freeman – Barclays Capital, Inc.>: All right. Then just lastly, on the $100 million of capital that is going to be freed up in the Nordic clearing house, can you remind us what restrictions there are in terms of moving that around, or being able to redeploy that?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Sure. On the $100 million from the Nordic clearing house, that will be capital that is in Europe, and in order to – we would plan on utilizing that capital within the European venue. If we needed to, we could bring that back to the U.S., although we would have to pay taxes in order to bring that back. We don't see any need for that, given the strong cash flow and cash levels that we have within the U.S., but that is a restriction that we would face in repatriating that cash out of Europe.

<Q – Roger Freeman – Barclays Capital, Inc.>: Okay. All right, great. Thanks a lot.

Operator: Our next question comes from Rich Repetto with Sandler O'Neill.

<Q – Richard Repetto – Sandler O'Neill & Partners>: Good morning, guys. And congrats again, another solid quarter, Bob.

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

<Q – Richard Repetto – Sandler O'Neill & Partners>: I guess first, just to follow-up on the buyback. You bought back 4 million shares, the diluted share count didn't – it dropped by 1 million, I think basic dropped by 2 million. So could you just talk about, were there options granted to increase the diluted share count? And just to clarify the previous question, the $100 million then from clearing in Europe, that's really – you don't really use that in calculations of – well, Lee's 50% to 75% of net income or cash available.

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: So Rich, on the first question, the reason that you don't see as big an impact in the fourth quarter is that we received authorization for that relatively late in the quarter, and were subject to our blackout period, and so it had a relatively limited impact in the fourth quarter. You'll see the full effect in the first quarter.

And with regard to the second question, the $100 million freed up, you're correct, that's not – we wouldn't characterize that as available to supplement the share repurchase program. That is capital that will be utilized within the European business, but we continue to stand by our guidance from ongoing share repurchases.

<Q – Richard Repetto – Sandler O'Neill & Partners>: Okay, okay. And then, I guess it's an admin question, but the tax guidance, 32% to 34%, is there a reason – I believe the old guidance was 31% to 33%, is there – have I got that right, or is there an increase here?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Yes. That's correct. Obviously, it varies by business mix between our U.S. and in international jurisdictions. I would say that within the U.S., what we are experiencing are some increasing tax rates, particularly at the state level, that is influencing that upwards.

<Q – Richard Repetto – Sandler O'Neill & Partners>: Okay. And then Bob, my last question. The media reported that you might be viewed as a candidate for the chairmanship at NASDAQ. I was just trying to see whether you could provide any color on that? How would you view corporate governance if you were to hold both positions, would that be – do you think that's reasonable arrangement at NASDAQ, and I just – the overall color behind what was released by the media?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Well, I think it was a single person, Rich, who ran a story that was obviously not picked up by anybody else. And so, it was just one story and we're not really going to comment beyond that.

<Q – Richard Repetto – Sandler O'Neill & Partners>: Would you say he's had – that one person's had a reasonable track record in the past?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: I think the track record's been unbelievably bad in terms of information, but that's our opinion. So it was one story that was written. From there, obviously, any Board deliberations are Board deliberations and right now, we have a longstanding chairman who's done a wonderful job for NASDAQ OMX.

<Q – Richard Repetto – Sandler O'Neill & Partners>: Well, maybe the fair question is, would you be interested in the chairmanship?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: I serve at the pleasure of the Board and right now, I'm having a great time being the CEO of NASDAQ OMX and hopefully, investors think that I'm doing a reasonable to good job with it, and that's what we're focused on.

<Q – Richard Repetto – Sandler O'Neill & Partners>: Okay. And you have – you had a solid year in 2011. Thanks, Bob.

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

Operator: Our next question comes from the line of Howard Chen with Credit Suisse.

<Q – Howard Chen – Credit Suisse (United States)>: Hi, good morning Bob. Good morning, Lee.

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Good morning.

<Q – Howard Chen – Credit Suisse (United States)>: Congrats on the quarter. Just another follow-up on the buyback. The pace of the share repurchase was much more aggressive than we anticipated this quarter, was there anything you would say unique to the environment of the stock price that got you to that $100 million? I guess put another way, do you see that it's a sustainable level?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: No, there was nothing unique about the environment. I would say that the share repurchase levels in the fourth quarter reflected the fact that we had really built up some excess capital from not being able to repurchase shares earlier in the year. And so, to a certain extent, the $100 million level was a bit of a catch up with some of the excess capital that we had generated. And I think, in some of my remarks earlier, we had signaled that we may exceed the $50 million to $75 million levels from time to time, depending upon how we gauge our overall capital levels and our needs within the business. I would continue to point folks towards the $50 million to $75 million per quarter going forward, absent any unexpected changes in capital availability, as well as our internal uses of capital.

<Q – Howard Chen – Credit Suisse (United States)>: Great. Thanks, Lee. And then, Bob, you've been successful in diversifying the franchise away from transaction-related revenues. We're still hoping for your outlook on broader market volumes, as you've been a good predictor in the past. Thanks.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: I don't know if I've been that good. But I would say – what I do say is obviously, over the medium to long-term, volumes will follow GDP growth. To the extent you have increased GDP activity, you've got disposable income. People will take that and tend to invest it in equities. Certainly, when we look at the volume over the last two years, we had one good month of volume in 2011, that was August. In 2010, we had really May and part of June. So we have built this business right now to certainly enjoy when we have good volumes, but we can produce, I think, an adequate performance, adequate to good performance, in a bad volume environment. So, when I look at a given year, I think it's reasonable for us to expect that we would have one to two good months. January is certainly not that. But with what's going on in the world and what's going to happen, the American election cycle, we sit here in January thinking that there'll be several months during the year that will enjoy higher volume volatility. So that's our kind of 2012 outlook. It's in our plans. I would say, the volume outlook though, for 2012, is still below what we presented during our Investor Day. So we're not seeing getting back to that level, but we're reasonably comfortable.

<Q – Howard Chen – Credit Suisse (United States)>: Great. Thanks, Bob. And then finally, wanted to get your thoughts on the decision by the European Commission regarding NYSE Euronext and Deutsche Börse. In hindsight, you were really accurate in your assessment of the complexity, the time for that deal to close, but I guess at this point, what do you see as potential implications of that ruling on the future of European regulation and your business? Thanks.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah, I'll answer this question. What I'll do is, answer this question as comprehensively as I can, and then hopefully that will be the last question on the topic. The first thing you have to say with respect to the failed transaction is that we here at NASDAQ OMX are certainly empathetic to the feelings of the management team of both Deutsche and NYSE. It wasn't too long ago that Jeff Sprecher, myself, and the management teams of ICE and NASDAQ obviously failed. And we had to go through really painful moments, full of frustration and a dominant feeling of not having your arguments understood. Now we recovered, ICE has recovered, and I'm sure that Reto [Francioni] and Duncan [Niederauer] and their teams are formidable competitors and will recover from this setback.

Now when you look at this, anytime you're trying to complete a merger where the number of competitors is low or the market share is high, your success will hinge on whether you can broaden the definition of the market. In our situation, we attempted to define capital raising in the public listing market in global terms. And, during the brief period of time we were involved with the DOJ process, name-brand companies such as Samsonite, Prada and Glencore chose to list outside their home market. We also witnessed billion-dollar capital raises occurring outside public markets. But we obviously didn't carry the day with a winning market definition, our deal was turned down. Similarly, you see that this deal was turned down because they were not able to successfully redefine what the market is.

Now, we do not believe that this ruling will preclude other large exchange deals from happening. Our rejection by the DOJ and today's rejection by the EU Competition Committee certainly sends a clear message that a transaction that results in over 90% market share in a predefined market is highly suspect. But there is a compelling industrial logic of combining operations and technology of non-overlapping exchanges and that will happen in the future. Now with respect to NASDAQ OMX, as we've said now several times during this call, we're focused on our strategy of organic growth, amplified through bolt-on acquisitions while providing a capital return to shareholders. And this plan was developed independent of the Deutsche Börse acquisition of NYSE, and is obviously not affected by today's decision.

<Q – Howard Chen – Credit Suisse (United States)>: Thanks for the comprehensive answer, Bob.

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

Operator: Our next question comes from Alex Kramm with UBS.

<Q – Alex Kramm – UBS Securities LLC>: Hey, good morning everyone. Just a couple of data questions, I guess, for Lee here. And in terms of Market Tech – I'm sorry, Market Data and Access Services, can you talk a little bit about the sequential change? I think in Market Data, you had an acquisition in there, but it seems to be a pretty decent pickup. And then on Access Services, little surprised to see the drop there, so curious if – where that is coming from. I thought that was still a pretty decent growth area for you guys?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Yeah. So on Access Services, let me address that one first. In Access Services, in the third quarter, we had an exceptionally elevated level in the third quarter, due to an audit that generated some one-time revenue. So the decline sequentially, third quarter to the fourth quarter, I think just reflects a reversion back to our normalized growth rate. So that really explains that difference. From a global data product standpoint, the growth in revenues from the third quarter of about 5%, as well as the 10% growth from the fourth quarter, is a reflection of a larger number of TotalView Pro users, as well as some increased audit revenues over that period. And we think it's particularly strong results given, naturally, again, the relatively weak environment from a Street and broker-dealer standpoint. But those are the primary contributors to the growth in the Data Services business.

<Q – Alex Kramm – UBS Securities LLC>: All right, thanks. Just actually picking up on your last comment there, I think I asked something similar to this already a quarter ago, but given the weak environment and obviously some larger firms and small firms pulling back a little bit from the market in terms of employment and so forth. Are you seeing weakness in certain areas? I see the pipeline in Market Technology has declined year-over-year and quarter-over-quarter. Are there certain areas where you definitely see people not renewing licenses or turning – or actually, it takes longer to get people over the hump, to kind of sign the line, or do you think – still think you have a pretty solid pipeline ahead of yourself, in terms of your businesses?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: So I would say this. First, with respect to our internal organic growth initiatives, we are at what I'll call a high-water mark with respect to the opportunities available to us. And we obviously are committed to funding those opportunities to invest in our future. Likewise, in the sphere of acquisitions under the broad category of bolt-on, we see more opportunities coming our way than we've had in the last several years. Obviously, there's always a standoff with respect to valuation, and we've stood down on the number in the last 18 months based upon that, but I think things are getting closer together on the bid-offer spread.

In our core businesses, as I said in my prepared comments, we obviously have started the year slow with respect to volume. As we look at our businesses, which have now diversified away from being so volume dependent, we certainly think that, as we look at the numbers we want to achieve in 2012, we need one to two months of good volumes to hit our numbers, and I think that's a reasonable expectation that will happen, based upon the geopolitical situation that we live in, and plus the basic economy in the U.S. starting to heal, and we certainly see a broad pipeline of IPOs. As I said, again, in my prepared comments, we have a higher level of IPO applications than in the last 10 years, which is kind of shocking when I saw that stat a couple weeks ago there.

With respect to Market Technology in general, as we've articulated before, we are on a mission to broaden the scope. We crossed the Rubicon when we made the SMARTS acquisition, where we're defining our market to be not just exchanges and regulators, but brokers. So we see a tremendous growth opportunity in that in the time to come. And again in my prepared comments, I said that SMARTS year-on-year grew, I think, 25%, so it's been an impressive performance. In Market Tech in particular, there is some lumpiness represented in numbers between the breakdown between, we'll call it large-scale projects and short-term, what we call CRs, customer change requests. So that will kind of skew back and forth depending upon what's going on, but clearly the Market Tech franchise is at, I think, a high-water mark with respect to its strength.

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: And I would just add, I think you also asked about Market Data. And there, I think the observation is correct. Obviously, there are some headwinds from an industry standpoint, but clearly, where we have seen opportunities to grow have been in developing new products in our proprietary data products business, as well as a number of our recent acquisitions like RapiData and the machine-readable news service, where we're able to find new markets, new appetites for products that have allowed us to continue to generate growth despite a more challenging market environment for some of the traditional products.

<Q – Alex Kramm – UBS Securities LLC>: Right. Very good. Just one quick one here. On the expense side, I think you might have addressed this but, given, Bob, as you said, we're off to a slow start and you're expecting one or two months of strength, which I would actually agree with, but if that doesn't materialize and we stay in this kind of lackluster environment, do you think on the expense side, on the core expense side, there is room to maybe pare back a little bit? I think you were running a pretty lean ship already, but are there any areas that you could pull back?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Definitely. And certainly the first and foremost is our incentive pay, which is tied to a certain level of performance. But I want to say very clearly that, how we're managing NASDAQ OMX today is on two different tracks. So on the core track, which you asked the question on, we will manage to the business climate. And clearly, if we think the revenue forecast we have for that core business is no longer valid, then we'll make the appropriate responses from a management point of view, as we have done in the past, I think have demonstrated a great track record of doing that.

The second side, our core initiatives, we have dramatically increased our ways to execute those initiatives and to weigh, measure and count, and to track them quite efficiently. So they go to a separate set of dynamics, some of the dynamics are actually non-financial milestones that these things – these initiatives have to hit. To the extent they don't, that we have a discipline to say okay, whatever we assumed in the beginning is not quite working, and then make whatever clinical decisions we have to after that. So the core is certainly responsive to the particular environments of the year, the investments are really responsive to the state of the opportunity and how we're executing there.

<Q – Alex Kramm – UBS Securities LLC>: Very helpful, thank you.

Operator: And next on the line we have Niamh Alexander with Keefe, Bruyette & Woods.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: Hi. Good morning. Thanks for taking my questions. Lee, if I could just, on the expenses, just ask the question maybe another way. Every business has to invest in its initiatives and to kind of reinvent itself, is what you're focusing on here. I guess you're really giving us the numbers and showing us, we have been doing this for quite some time, and this is the revenue we're kicking in as well. So going forward, I think I'd be inclined to build in these initiative expenses into the estimates in the core model, because they are part of your everyday business. But is this something we should think about also for maybe the bolt-on acquisitions that you seem to be – I'm getting the signals that you're seeing a lot more attractive opportunities now. Should we be expecting kind of one clean number going forward? Because you have done quite a few, and it looks like you'll do these going forward? Or could we get – like the smaller M&A and the bolt-on deals, we'll get kind of a separate level of disclosure for those as well as the initiatives, as well as the core?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Niamh, what I would say is that acquisitions are kind of a different game, and what we want to isolate here are, in our specific organic investments within the business. Obviously, our acquisitions are subject to exactly the same disciplines, from a return on capital and from a profitability standpoint. I think we want to particularly focus on those internal projects, because we want to provide some separation between where we're maintaining expense discipline on the core business, and then where we're investing for growth on the internal side.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah, the important thing to recognize, Niamh, with acquisitions, we're always looking to do a transaction, what we call one bowling pin left or right, which is leveraging some assets of the mother ship. And what that means, in so many words is, these acquisitions quickly get subsumed within the mother ship, and it's hard then to track them independently in a quite rapid period of time. We try to do that for as long as we can but, for example, when we buy a company such as FTEN or SMARTS, then the operations aspect of the company goes into our corporate operations area, the development people go in a different direction, the sales people go here. So we tend to subsume things in. We don't have companies that are left as standalone portfolio plays.

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: And I think, putting it in scale, clearly a couple even small bolt-on acquisitions could, I think, overwhelm the data related to this initiative. We want to keep the focus on this, and we'll obviously give you updates, in terms of how the acquisitions are going from an integration and from a return standpoint, and obviously, that'll be embedded in our overall numbers. But we – I don't want folks to have the expectation that this breakout of spending is going to encompass all of our independent deployment of capital in acquisitions. It's really just focused on the new initiatives.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Right. Yeah, we really should not call them bolt-on. They're bolt-in acquisitions, right? Is the way to look at it.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: Okay. Fair enough. I appreciate the color and the time. And then, if I could get back to kind of the core business, where there is still quite a lot of leverage, the Options business especially, where – it's now much bigger than the Equities. You had some great growth there. The price compression has not nearly been as aggressive as we'd expected. How do you feel about that business going into this year? Do you see maybe more opportunities to take market share, or is it getting a little bit more difficult from here, and how do you feel about the pricing environment?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Well, I think the Options business is a very competitive business and in certain dimensions, it's as or – if not more competitive than the Equities business. Now we have, obviously, a very capable management team led by Eric Noll and Tom Wittman, and we've taken a lot of proper steps in the marketplace. We certainly see that we're setting the tone and our competitors are responding to us, and it is a chess game that we play quite aggressively. So one is, we think the core Options franchise is a strong franchise. We think it, as an asset class, is still continuing to be accepted by a greater number of market participants, so that will help us there. And as we mentioned with our complex order flow and other initiatives we have, we feel very comfortable that we have a good path to success there.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: Okay, fair enough. Thank you.

Operator: And our next question comes from the line of Jillian Miller with BMO Capital Markets.

<Q – Jillian Miller – BMO Capital Markets (United States)>: So you guys have said that the conversations with the major dealers regarding IDCG are kind of ongoing, that a decision whether or not to continue funding the venture could be made relatively soon, maybe in the next month. Just want to get an update on those discussions and, if you could, remind us just how much capital's going to be freed up if you do shutter IDCG?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah, good questions. And I've said before that we expect to have a resolution of IDCG by the end of February, and I believe I said that back in November. I think that is still a very good date. I don't think it'll be February 1, it might be February 31, if such a date exists, but so – it's good, it's moving along, we feel comfortable with it. We have currently $75 million of capital tied up in IDCG. So we expect, with any resolution, that that capital will become available for general use.

<Q – Jillian Miller – BMO Capital Markets (United States)>: And that capital, unlike the Nordic clearing capital, is kind of based in the U.S. and would be potentially available for capital returns through buybacks?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: That's correct.

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

<Q – Jillian Miller – BMO Capital Markets (United States)>: Okay. And then on the CoLo, I was just wondering how your payment contracts work, whether they're long-term leases in the space, or if it's more of a flexible pay-as-you-go, so that that might be more impacted by changes in outlook for trading activity?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah. I would say this, and Eric's [Noll] here if I can't answer the question properly. It's generally flexible in terms of how people approach it, and that's obviously worked out well for us. But I'd also want to make it very clear that the infrastructure that's built up, while our terms are flexible, is somewhat inflexible from the customer's point of view. So we find that there's great retention for that, and it really stays there independent of volume.

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

Operator: Our next question comes from the line of Chris Harris with Wells Fargo.

<Q – Chris Harris – Wells Fargo Securities LLC>: Thanks, good morning.

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Good morning.

<Q – Chris Harris – Wells Fargo Securities LLC>: So over the last year, we've seen a bit of a divergence between growth in Nordic equities as opposed to Nordic derivatives, and I assume some of that is related to higher market maker activity on the equity side. Where are you guys with respect to getting more market makers in derivatives, and is there a specific volume threshold that we should look for, that could potentially be a catalyst for more activity in that market?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Well one is, we've seen increased activity in the derivatives market. As you know, we have converted, just recently, most of that activity to Genium INET, the next major evolution is to move to the member guarantee fund. And then we'll have, I think, a European-class competitor in the marketplace. We are in the process of moving more computer-based trading into our data center. So it's moving along, basically, the same track as the equity plan just at a little different phasing of the timing.

<Q – Chris Harris – Wells Fargo Securities LLC>: Okay. And then on the regulatory front, this whole idea of a transactions tax in Europe just obviously does not want to go away here. Bob, I'd love to get your perspective on how you think this develops, where do you think a tax might be implemented, is it pretty much a done deal at this point? And then, how it might affect your Nordic markets, whether positively or negatively?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: All right. So this is, I've said before, it is really right out of a bad horror movie, in that the monster gets killed, but then next scene, they come back to life somehow. And we're going to live through that with the transaction tax discussion, both here in the U.S. and Europe. Europe, obviously, it has more publicity at this particular point in time. It's important to note that Sweden tried a transaction tax to disastrous effect, and that is in the psyche of everybody from a political and a regulatory perspective and they, in many of the other countries of the Nordics, are in fact dead set against a transaction tax. So as you know, Sweden and Denmark normally don't trade on the Euro, so to the extent they put a transaction tax in on the Euro countries, we would only be affected in Finland, which is one of our smaller markets. So one, if we had to predict anything right now, we don't see a Nordic country supporting it, we don't see it applying to them. To the extent it applies to the Euro zone, then it will probably represent some level of opportunity for us.

<Q – Chris Harris – Wells Fargo Securities LLC>: I appreciate that. Thanks, guys.

Operator: Our next question comes from the line of Dan Fannon with Jefferies.

<Q – Daniel Fannon – Jefferies & Co., Inc.>: Good morning. I guess, sticking with the regulatory front here domestically, on the high-frequency trading or any other issues that you – are being discussed out there. I guess, how do you kind of envision 2012 unfolding from kind of regulatory topics here in the U.S.?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Well, I would say this, that we think that the opportunity in the regulatory side is not in enactment of the concept released, we believe that will continue to gather dust on the shelf. But we are witnessing an increased receptivity by the Commission to entertain different type of market structures, and certainly market structures that have some advantage to naturals, whether that be institutional and/or retail providers. So it'd be our job to understand that and then respond to that opportunity. So I think that's probably more of our focus than anything else right now.

<Q – Daniel Fannon – Jefferies & Co., Inc.>: Okay. And then I guess, Lee, as we think about 2012, based on – we got your expense guidance and looking at everything else, should basically the GAAP and the non-GAAP basically converge, as you think about what's on the table for next year?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Yeah, Dan, I think that it is – we can't anticipate what may generate a non-GAAP expense going forward to 2012. Obviously, there were some exceptional expenses related to the refinancing and the joint bid for the NYSE that drove the bulk of that difference that we experienced, as well as the write-off that we talked about earlier. So we don't – there isn't anything on the horizon that we would identify as a substantial non-GAAP element. And certainly, our hope is that there wouldn't be as significant a difference going forward, but that could change, depending upon what happens.

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

Operator: Our next question comes from the line of Matthew Heinz with Stifel, Nicolaus.

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

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: How are you doing?

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

<Q – Matthew Heinz – Stifel, Nicolaus & Co., Inc.>: Doing well, thank you. At some of your previous presentations, you guys talked a bit about the anticipated return on invested capital of some of your new initiatives. And I'd just like to know how you think about that metric internally as a driver of the multiple on your stock and I think, by my calculations, it's – you're roughly kind of in line to slightly below maybe your blended cost of capital. And how do you think about that metric internally, and how do you manage, you know – think about capital management as it relates to your returns?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Okay. The first thing I will say is, in the future, we're going to try to provide more details on the financial success of these initiatives over time. Certainly, on – what is it, page 11 – 12. Page 12 today, you can see that we've done well with it, but there's other time-based metrics that we'll provide to you in the future. But certainly, with respect to how we are deploying our capital, it is one of the things that drive us here at NASDAQ OMX.

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: And I would add that, we look at the amount of capital that we're generating, and as I've talked in the past, on a GAAP basis, we've generated between $100 million and $125 million in earnings each quarter, and we think about the returns that we can get from investing that within the business in these types of new initiatives, in the core businesses, through acquisitions, and we subject all of those deployment decisions to an evaluation of whether we're going to generate an adequate return on our capital consistent with our cost of equity. And if we don't think we can utilize that capital within the business, then we're going to return that capital through share repurchases or, eventually, through dividends. And that's the discipline that guides all of our capital deployment decisions, and one that we certainly believe investors should value us for, and hopefully will become a factor of what they view as the total return potential in the stock.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Right. And we obviously balance that against our need to have a strong balance sheet.

<Q – Matthew Heinz – Stifel, Nicolaus & Co., Inc.>: Okay, that's helpful, thank you. And then, Lee, on your breakout of the European derivatives revenue, I think you said that energy and carbon was now $13 million this quarter. That's up pretty substantially, I think, from the $10 million run rate you guys were at just a few quarters ago, and now it looks like it's probably one of the biggest businesses within that Nordic franchise. Can you talk a little bit about what's driving the growth there, and whether it's something that we can expect to continue?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: You've got two things. This is Bob. One is, the Nordic Power certainly started to improve its core performance as the year waxed on. It was overall not a good year for Nordic Power, but we saw improvements, especially as we got into December, and that's carried into January. And the second is, I referenced in my comments, N2EX essentially, quarter-on-quarter, doubled their terawatt hours that were traded on the market. So we had a corresponding increase in revenue. So that's certainly one of our new initiatives which is moving beyond the funding stage and is starting to contribute in a very positive way for us.

<Q – Matthew Heinz – Stifel, Nicolaus & Co., Inc.>: Okay. That's all I have, thank you.

Operator: Our next question comes from the line of Brian Bedell with ISI Group.

<Q – Brian Bedell – International Strategy & Investment Group, Inc.>: Hi, good morning folks.

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

<Q – Brian Bedell – International Strategy & Investment Group, Inc.>: Good, how are you? Just, Bob, a question on the European transaction strategy. Can you just elaborate a little bit about where you sit right now, in terms of developing the high frequency trading market in the Nordic cash business and whether you think that has a lot more runway for growth over 2012 that could help you offset any kind of macro volume-related headwinds? And then same for the derivatives, in terms of your long-term strategy there over, say, the next one to two years. Do you intend to compete much more aggressively in the Euro – broader European derivative marketplace with your initiatives? Thanks.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yes, good questions, Brian. So one is, we have been pursuing a strategy to make our markets in the Nordic more attractive to European and global players and obviously, part and parcel of that is to make sure that we have the technology and the co-location services that are acceptable in that defined set of circumstances. So, the equity market had a very successful year with co-location business, and we see that that's increasing its penetration quite dramatically. And we would say that the trading volume has not gone up as quickly as the CoLo business would suggest, but we think that's just a matter of time and circumstance. The derivatives market same – same drill, same marching plan. I think the equity market is somewhat ahead of the derivatives market, but we expect that that will narrow as we march forward in 2012.

<Q – Brian Bedell – International Strategy & Investment Group, Inc.>: So there's much more upside on the derivatives side over the next, say, 12 to 18 months, relative...

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah, and it's upside in a couple different ways, not just the introduction of high frequency trading. But, as I said, as we become a recognized clearing house, we think we have the ability to innovate in the product area, and we'll be focused on that.

<Q – Brian Bedell – International Strategy & Investment Group, Inc.>: Great, great. Thanks. And then just on the – just one more on the buybacks. So you've got $200 million left in the authorization. We should assume that that essentially gets executed this year, and you can do the bolt-in acquisitions over and above that, is that a correct assessment?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Yes, that's correct.

<Q – Brian Bedell – International Strategy & Investment Group, Inc.>: Great, okay. And then, once you're done with the $200 million you'll revisit the deal where you'll consider the dividends, so that could be at some point later this year?

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

<Q – Brian Bedell – International Strategy & Investment Group, Inc.>: All right, okay. And then just lastly, housekeeping, the $230 million to $240 million 1Q expense guidance includes the initiative spend of $10 million, is that correct?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: That is correct.

<Q – Brian Bedell – International Strategy & Investment Group, Inc.>: Okay, great. Thank you.

Operator: Our next question comes from Jonathan Casteleyn with Susquehanna.

<Q – Jonathan Casteleyn – Susquehanna Financial Group LLP>: Thanks, good morning. I believe some naked access bans finally went through the U.S. cash equity markets at the end of last year. Any understanding of its current impacts on volumes, as we're negative comping here in January to start the quarter?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Zero impact on volumes. And it's important to recognize, with our FTEN acquisition, we are well-positioned to be the supplier of the tools necessary to ensure you're meeting the access standards.

<Q – Jonathan Casteleyn – Susquehanna Financial Group LLP>: So you believe no impact on U.S. cash equity volumes, but actually a growth trajectory on the access part of the business?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah. The selling of software and solutions to help meet those rules.

<Q – Jonathan Casteleyn – Susquehanna Financial Group LLP>: Right. And then, Lee, you talked about some flexibility in the core expenses, I believe in incentive compensation, but on the growth initiatives, the $40 million to $50 million, is that tried and true, out throughout the year? I mean, if the environment really worsened from here, will you spend that $40 million to $50 million?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: I think there're two dimensions that I would just discuss on that. First is, and probably most importantly, is that the $40 million to $50 million assumes that the projects that are currently in the queue that we're considering, get through that approval process, they meet the return hurdles, the growth hurdles that we have. And so it's going to vary as we go through that process. I think that's our best estimate, based upon what we see at this point. And then obviously, these initiatives are developing businesses, and so the amount of capital they may need may vary from point to point.

And then thirdly, we are tracking each of these investments very carefully, to make certain that they're meeting their milestones. And to the extent that an initiative is clearly fallen off of its milestones, then we'll terminate that investment, thus freeing up capital. So there are a number of variables that are going to influence that number, this is our best guess of what we expect to spend in 2012.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: And it's important to recognize that the core business will be influenced by the economic forces of the year, but the initiatives will not be influenced so much by that, but really the microenvironment in terms of how they're trying to compete, and also by the particulars of that competitive dynamic in that microenvironment.

<Q – Jonathan Casteleyn – Susquehanna Financial Group LLP>: Okay, great. And then lastly, any Borse Dubai update you can give us? They still own 16% of the stock; any understanding of their intention with their holding and then, do you believe, over the long-term, is there another chance to buy back stock from them?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Well, one is, you obviously want to talk to them. I don't want to speak for them. I would say that there's certainly evidence, in every way, shape or form, that they are a very long-term holder of NASDAQ OMX. They're represented on our board, and a strong contributor to our board discussions. So we're, I think, on a very good place with the relationship, and we don't anticipate any opportunity to buy back any of their shares.

<Q – Jonathan Casteleyn – Susquehanna Financial Group LLP>: Okay, thanks for the time.

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

Operator: Our next question comes from Rob Rutschow with CLSA.

<Q – Rob Rutschow – Credit Agricole Securities (USA), Inc.>: Hey. Good morning, guys. Just a point of clarification on the investment spending. Is all of that revenue generating, or is some of that spending for say, improved security and technology spend there?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Yeah. To be absolutely clear, these are separate and discrete investment projects. We're not moving investments in infrastructure, or security, or anything related to the business, into this. These all have to have an independent business model that demonstrate revenue production in order for us to make the investment.

<Q – Rob Rutschow – Credit Agricole Securities (USA), Inc.>: And how would we think about the return on investment, if you will, for the new initiatives?

<A – Lee Shavel – NASDAQ OMX Group, Inc.>: Sure. You would – the return on investment for each of these individual projects is really calibrated based upon, starting with our, what we think our cost of equity is. And as we've said in the past, we view that currently in the 10% to 11% range. And then what we do is, we'll apply some risk-adjusted premium that we think is appropriate for the risk of that individual investment, so that we're comfortable that the project is expected to generate some significant return in excess of our core cost of equity.

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: It's important to recognize, I think, with the businesses we're in, we only invest in what I'll call scalable businesses that have high leverage returns to us. And as we look at these initiatives as a – I think a fundamental grounding of it – it's somewhat binary, in that if they work, we'll do very well. We're not in a low-margin business type environment and obviously, if they don't work, then it's time for us to move on. But we have as an operating mantra, to only invest in technology based businesses that are fundamentally scalable.

<Q – Rob Rutschow – Credit Agricole Securities (USA), Inc.>: Okay. Second, sort of related question. A lot of the large investment banks are scaling back in several areas, so I'm wondering if you can talk about how your attempts to cross-sell, if you will, are going with that particular client base? And I don't know if you can answer this, but is it possible to give us an idea of how much, say, the five or ten biggest investment banks represent to you, in terms of revenue or earnings?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah. The first thing is, we have a tremendous opportunity, and our opportunity is to redefine the markets that we're in. And with respect to the transaction business, we have a – coined a phrase called beyond the match. So it's our job to go to these investment banks, all our customers and say, okay. We're providing matching services for you, you love the technology, you love the speed, everything we do there, and we understand your explicit price per transaction has declined quite dramatically. But in the pre-structured, fragmented world of Reg NMS, your infrastructure cost has exploded; and you see that

that infrastructure cost is no longer, in any way, shape or form, a relative competitive advantage, it just represents a cost.

What can we do, essentially, to allow you to be in the equity game without such a high step up cost? So when you see the great growth we've had in our equity businesses in a very tepid transaction environment, we've done that by understanding what our customers are about and then offering product and services that release infrastructure cost, right? And clearly, we made some acquisitions, such as SMARTS and FTEN, to do that, but we've also developed our Co-location Services, our Access Services. So we're on that mission. It's part of obviously, our long-term strategic direction. And it's a little counterintuitive, but to the extent our customers get more focused on their cost of being in the business, that represents fundamental opportunity for us.

<Q – Rob Rutschow – Credit Agricole Securities (USA), Inc.>: Okay. Thank you.

Operator: Our next question comes from the line of Patrick O'Shaughnessy with Raymond James.

<Q – Patrick O'Shaughnessy – Raymond James & Associates>: Hey, good morning. So according to our calculations, it looked like, in January, the percentage of U.S. equities volume trading that took place off exchange was at a new high, or at least close to a previous record high. So if you look at the U.S. equities business, Bob, what sort of conversations are you having with the regulators, or what sort of efforts do you think exchanges can do to ensure that liquidity does stay on the exchange?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah. The first thing is, you know, when you have low volatility, which we experienced so far – we experienced in January, then you tend to see internalization going higher. As I said previously, we do not expect the regulators to move upon the concept release, and it's not our focus at this particular point in time, but we do see opportunities for us to further segment our market and product offerings, which will represent some – we think, some fundamental opportunity for us. So that's what we're focused on, how do we segment our customers, how do we make sure we're delivering the right price, right service and right kind of market structure for each of these customers at the appropriate point in time?

<Q – Patrick O'Shaughnessy – Raymond James & Associates>: Okay. That's fair. And then my follow-up question. In the U.S. Options business, SOX's market share has trailed down a little bit the last couple of months, and you've kind of addressed this earlier, but what sort of things specifically can you guys do to shore up your U.S. options market share?

<A – Robert Greifeld – NASDAQ OMX Group, Inc.>: Yeah. There's probably three or four things we're focused on. Some of them I referred to in the past, but clearly, when we talk about complex orders, we're working to improve both our functionality and our distribution on that, and we think we're making some headway in that regard. And then, the options pricing is orders of magnitude more complicated and more segmented than the equity world, and it's really a question of which dollar you spend to attract certain business from certain customers, and we continue refine that witches brew.

<Q – Patrick O'Shaughnessy – Raymond James & Associates>: All right. Great. Thank you.

Operator: At this time, I'm showing no further questions in the queue. I'd now like to turn it over to our speakers for any closing remark.

Robert Greifeld, Chief Executive Officer & Director

Great. So, we're certainly very proud of our success in 2011. And when you look at our last four years, as I said in my opening comments, with declining macroeconomic forces, we've been able to continue to execute quite successfully. We start with an engage – in 2012, with an engaged management team. There's a clear sense of direction. And we will continue to execute as we've done over the past number of years. So I appreciate your time and your support, and look forward to talking to you next quarter. Thank you.

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