NASDAQ OMX GROUP, INC.
Form 10-Q
May 07, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 000-32651

The NASDAQ OMX Group, Inc.

(Exact name of registrant as specified in its charter)

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

+1 212 401 8700

(Registrant's telephone number, including area code)

No changes

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

Class	Outstanding at April 30, 2013
Common Stock, $.01 par value per share	165,794,368 shares

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The NASDAQ OMX Group, Inc.

Form 10-Q

For the Quarterly Period Ended March 31, 2013

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About This Form 10-Q

Throughout this Form 10-Q, unless otherwise specified:

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

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

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

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

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

- "NASDAQ OMX Nordic Clearing" refers to collectively, the clearing operations conducted through NASDAQ OMX Nordic and NASDAQ OMX Commodities.

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

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

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This Quarterly Report on Form 10-Q includes market share and industry data that we obtained from industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys generally state that the information they contain has been obtained from sources believed to be reliable, but we cannot assure you that this information is accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most currently available market data. For market comparison purposes, The NASDAQ Stock Market data in this Quarterly Report on Form 10-Q for initial public offerings, or IPOs, is based on data generated internally by us, which includes best efforts underwritings and closed-end funds; therefore, the data may not be comparable to other publicly-available IPO data. Data in this Quarterly Report on Form 10-Q for new listings of equity securities on The NASDAQ Stock Market is based on data generated internally by us, which includes best efforts underwritings, issuers that switched from other listing venues, closed-end funds and exchange traded funds, or ETFs. Data in this Quarterly Report on Form 10-Q for IPOs and new listings of equities securities on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic also is based on data generated internally by us. IPOs and new listings data is presented as of period end. While we are not aware of any misstatements regarding industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors. We refer you to the “Risk Factors” section in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and the “Risk Factors” section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 that was filed with the SEC on February 21, 2013.

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Forward-Looking Statements

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

- our 2013 outlook;
- the scope, nature or impact of acquisitions, divestitures, investments or other transactional activities;
- the integration of acquired businesses, including accounting decisions relating thereto;
- the effective dates for, and expected benefits of, ongoing initiatives, including strategic and capital return initiatives;
- the impact of pricing changes;
- tax matters;
- costs and savings associated with restructuring activities;
- the cost and availability of liquidity; and
- the outcome of any litigation and/or government investigation to which we are a party and other contingencies.

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

- our operating results may be lower than expected;
- loss of significant trading and clearing volume, market share or listed companies;
- economic, political and market conditions and fluctuations, including interest rate and foreign currency risk, inherent in U.S. and international operations;
- government and industry regulation;
- our ability to successfully integrate acquired businesses, including the fact that such integration may be more difficult, time consuming or costly than expected, and our ability to realize synergies from business combinations and acquisitions;
- covenants in our credit facilities, indentures and other agreements governing our indebtedness which may restrict the operation of our business; and
- adverse changes that may occur in the securities markets generally.

Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the uncertainty and any risk related to forward-looking statements that we make. These risk factors are discussed under the caption “Part II. Item 1A. Risk Factors,” in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and more fully described in the “Risk Factors” section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 that was filed with the SEC on February 21, 2013. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. You should carefully read this entire Quarterly Report on Form 10-Q, including “Part 1. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the condensed consolidated financial statements and the related notes. Except as required by the federal securities laws, we undertake no obligation to update any forward-looking statement, release publicly any revisions to any forward-looking statements or report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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PART 1—FINANCIAL INFORMATION

Item 1. Financial Statements.

The NASDAQ OMX Group, Inc.

Condensed Consolidated Balance Sheets

(in millions, except share and par value amounts)

	March 31, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 591	$ 497
Restricted cash	83	85
Financial investments, at fair value	218	223
Receivables, net	317	333
Deferred tax assets	46	33
Default funds and margin deposits	229	209
Other current assets	124	112
Total current assets	1,608	1,492
Non-current restricted cash	25	25
Property and equipment, net	215	211
Non-current deferred tax assets	291	294
Goodwill	5,309	5,335
Intangible assets, net	1,619	1,650
Other non-current assets	121	125
Total assets	$ 9,188	$ 9,132
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 217	$ 172
Sections 31 fees payable to SEC	71	97
Accrued personnel costs	59	111
Deferred revenue	250	139
Other current liabilities	116	119
Deferred tax liabilities	35	35
Default funds and margin deposits	229	209
Current portion of debt obligations	137	136
Total current liabilities	1,114	1,018
Debt obligations	1,829	1,840

Non-current deferred tax liabilities	702	713
Non-current deferred revenue	148	156
Other non-current liabilities	192	196
Total liabilities	3,985	3,923
Commitments and contingencies		
Equity		
NASDAQ OMX stockholders' equity:		
Common stock, $0.01 par value, 300,000,000 shares authorized, shares issued: 213,426,908 at March 31, 2013 and December 31, 2012; shares outstanding: 165,761,597 at March 31, 2013 and 165,605,838 at December 31, 2012	2	2
Preferred stock, 30,000,000 shares authorized, series A convertible preferred stock: shares issued: 1,600,000 at March 31, 2013 and December 31, 2012; shares outstanding: none at March 31, 2013 and December 31, 2012	-	-
Additional paid-in capital	3,776	3,771
Common stock in treasury, at cost: 47,665,311 shares at March 31, 2013 and 47,821,070 shares at December 31, 2012	(1,059)	(1,058)
Accumulated other comprehensive loss	(218)	(185)
Retained earnings	2,699	2,678
Total NASDAQ OMX stockholders' equity	5,200	5,208
Noncontrolling interests	3	1
Total equity	5,203	5,209
Total liabilities and equity	$ 9,188	$ 9,132

See accompanying notes to condensed consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

(in millions, except per share amounts)

	Three Months Ended March 31, 2013	2012
Revenues:		
Market Services	$ 508	$ 580
Listing Services	55	56
Information Services	108	102
Technology Solutions	73	66
Total revenues	744	804
Cost of revenues:		
Transaction rebates	(242)	(306)
Brokerage, clearance and exchange fees	(84)	(84)
Total cost of revenues	(326)	(390)
Revenues less transaction rebates, brokerage, clearance and exchange fees	418	414
Operating expenses:		
Compensation and benefits	117	112
Marketing and advertising	7	6
Depreciation and amortization	27	26
Professional and contract services	29	25
Computer operations and data communications	15	17
Occupancy	22	23
Regulatory	7	9
Merger and strategic initiatives	8	2
Restructuring and other charges	9	9
General, administrative and other	25	14
Voluntary accommodation program	62	-
Total operating expenses	328	243
Operating income	90	171
Interest income	3	2
Interest expense	(24)	(24)
Asset impairment charges	(10)	(12)
Income before income taxes	59	137
Income tax provision	17	53

Net income	42	84
Net loss attributable to noncontrolling interests	-	1
Net income attributable to NASDAQ OMX	$ 42	$ 85
Per share information:		
Basic earnings per share	$ 0.26	$ 0.49
Diluted earnings per share	$ 0.25	$ 0.48
Cash dividends declared per common share	$ 0.13	$ -

See accompanying notes to condensed consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(in millions)

	Three Months Ended March 31,	
	2013	2012
Net income	$ 42	$ 84
Other comprehensive income (loss):		
Net unrealized holding gains on available-for-sale investment securities	1	7
Foreign currency translation gains (losses):		
Net foreign currency translation gains (losses)	(41)	185
Income tax benefit (expense), net of tax	7	(60)
Total	(34)	125
Total other comprehensive income (loss), net of tax	(33)	132
Comprehensive income	9	216
Comprehensive loss attributable to noncontrolling interests	-	1
Comprehensive income attributable to NASDAQ OMX	$ 9	$ 217

See accompanying notes to condensed consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)

	Three Months Ended March 31,			
	2013		2012	
Cash flows from operating activities:				
Net income	$	42	$	84
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		27		26
Share-based compensation		9		10
Excess tax benefits related to share-based compensation		(2)		(1)
Provision for bad debts		1		2
Deferred income taxes		(23)		(8)
Non-cash restructuring charges		1		4
Asset retirements and impairment charges		10		12
Amortization of debt issuance costs		1		1
Accretion of debt discounts		1		1
Other non-cash items included in net income		(1)		1
Net change in operating assets and liabilities, net of effects of acquisitions:				
Receivables, net		14		(20)
Other assets		(7)		(23)
Accounts payable and accrued expenses		44		(19)
		(26)		(37)

Section 31 fees payable to SEC				
Accrued personnel costs		(52)		(80)
Deferred revenue		105		127
Other liabilities		5		28
Net cash provided by operating activities		149		108
Cash flows from investing activities:				
Purchases of trading securities		(112)		(18)
Proceeds from sales and redemptions of trading securities		118		97
Purchases of property and equipment		(20)		(16)
Net cash provided by (used in) investing activities		(14)		63
Cash flows from financing activities:				
Payments of debt obligations		(11)		(111)
Cash paid for repurchase of common stock		(10)		(50)
Cash dividends		(21)		-
Issuances of common stock, net of treasury stock purchases		5		1
Excess tax benefits related to share-based compensation		2		1
Net cash used in financing activities		(35)		(159)
Effect of exchange rate changes on cash and cash equivalents		(6)		7
Net increase in cash and cash equivalents		94		19
Cash and cash equivalents at beginning of period		497		506
Cash and cash equivalents at end of period	$	591	$	525
Supplemental Disclosure Cash Flow Information				
Cash paid for:				
Interest	$	37	$	38

Income taxes, net of refund	$ 11	$ 22

See accompanying notes to condensed consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Notes to Condensed Consolidated Financial Statements

1. Organization and Nature of Operations

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

In the U.S., we operate The NASDAQ Stock Market, a registered national securities exchange. The NASDAQ Stock Market is the largest single cash equities securities market in the U.S. in terms of listed companies and in the world in terms of share value traded. As of March 31, 2013, The NASDAQ Stock Market was home to 2,568 listed companies with a combined market capitalization of approximately $5.6 trillion. In addition, in the U.S. we operate two additional cash equities trading markets, three options markets and a futures market. We also engage in riskless principal trading and clearing of over-the-counter, or OTC, power and gas contracts.

In Europe, we operate exchanges in Stockholm (Sweden), Copenhagen (Denmark), Helsinki (Finland), and Iceland as NASDAQ OMX Nordic, and exchanges in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania) as NASDAQ OMX Baltic. Collectively, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic offer trading in cash equities, bonds, structured products and ETFs, as well as trading and clearing of derivatives and clearing of resale and repurchase agreements. Through NASDAQ OMX First North, our Nordic and Baltic operations also offer alternative marketplaces for smaller companies. As of March 31, 2013, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, together with NASDAQ OMX First North, were home to 752 listed companies with a combined market capitalization of approximately $1.1 trillion. We also operate NASDAQ OMX Armenia.

In addition, NASDAQ OMX Commodities operates the world’s largest power derivatives exchange, one of Europe’s largest carbon exchanges and together with Nord Pool Spot, N2EX, a marketplace for physical U.K. power contracts. We also operate NOS Clearing, a leading Norway-based clearinghouse primarily for OTC traded derivatives for the freight market and seafood derivatives market.

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

2. Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The condensed consolidated financial statements include the accounts of NASDAQ OMX, its wholly-owned subsidiaries and other entities in which NASDAQ OMX has a controlling financial interest. The accompanying unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation.

As permitted under U.S. GAAP, certain footnotes or other financial information can be condensed or omitted in the interim condensed consolidated financial statements. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in

NASDAQ OMX's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

We have evaluated subsequent events through the issuance date of this Quarterly Report on Form 10-Q. See Note 17, "Subsequent Events," for further discussion.

Changes in Reportable Segments

As announced in January 2013, we realigned our reportable segments as a result of changes to the organizational structure of our businesses. Our reportable segments now consist of Market Services, Listing Services, Information Services and Technology Solutions. See Note 16, "Business Segments," for further discussion. All prior period segment disclosures have been recast to reflect our change in reportable segments. Certain other prior year amounts have been reclassified to conform to the current year presentation.

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Income Taxes

We use the asset and liability method to determine income taxes on all transactions recorded in the condensed consolidated financial statements. Deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities (i.e., temporary differences) and are measured at the enacted rates that will be in effect when these differences are realized. If necessary, a valuation allowance is established to reduce deferred tax assets to the amount that is more likely than not to be realized.

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

In the fourth quarter of 2010, we received an appeal from the Finnish Tax Authority challenging certain interest expense deductions claimed by NASDAQ OMX in Finland for the year 2008. The appeal also demands certain penalties be paid with regard to the company’s tax return filing position. In October 2012, the Finnish Appeals Board disagreed with the company’s tax return filing position, even though the tax return position with respect to this deduction was previously reviewed and approved by the Finnish Tax Authority. NASDAQ OMX has appealed the ruling by the Finnish Appeals Board to the Finnish Administrative Court. If the Finnish Administrative Court agrees with the Finnish Appeals Board, additional tax and penalties for the years 2008-2012 and for the three months ended March 31, 2013 would total approximately $20 million. We expect the Finnish Administrative Court to agree with our position and, as such, believe it is unlikely NASDAQ OMX will be assessed any additional tax and penalties. Through March 31, 2013, we have recorded the tax benefits associated with the filing position.

From 2009 through 2012, we recorded tax benefits associated with certain interest expense incurred in Sweden. Our position is supported by a 2011 ruling we received from the Swedish Supreme Administrative Court. However, under new legislation, effective January 1, 2013, limitations are imposed on certain forms of interest expense. Since the new legislation is unclear with regards to our ability to continue to claim such interest deductions, NASDAQ OMX will file an application for an advance tax ruling with the Swedish Tax Council for Advanced Tax Rulings. We expect to receive a favorable response from the Swedish Tax Council for Advance Tax Rulings. In the first quarter of 2013, we recorded a tax benefit of $4 million, or $.02 per diluted share, with respect to this issue in the condensed consolidated financial statements. We expect to record recurring quarterly tax benefits of $4 million to $5 million with respect to this issue for the foreseeable future.

3. Restructuring Charges

During the first quarter of 2012, we performed a comprehensive review of our processes, organizations and systems in a company-wide effort to improve performance, cut costs, and reduce spending. Through this initiative, we expect an annualized savings of $60 million in 2013. This restructuring program was completed in the first quarter of 2013.

The following table presents a summary of restructuring charges in the Condensed Consolidated Statements of Income:

	Three Months Ended March 31, 2013	2012
	(in millions)	
Severance	$ 6	$ 5
Facilities-related	1	-
Asset impairments	1	4
Other	1	-
Total restructuring charges	$ 9	$ 9

During the first quarter of 2013, we recognized restructuring charges totaling $9 million, including severance costs of $6 million related to workforce reductions of 31 positions across our organization, $1 million for facilities-related charges, discussed below, $1 million of asset impairments, primarily consisting of fixed assets and capitalized software that have been retired, and $1 million of other charges. During the first quarter of 2012, we recognized restructuring charges totaling $9 million, including severance costs of $5 million related to workforce reductions of 38 positions across our organization and $4 million of asset impairments, primarily related to capitalized software which has been retired.

Restructuring Reserve

Severance

The accrued severance balance totaled $7 million at March 31, 2013 and $8 million at December 31, 2012 and is included in other current liabilities in the Condensed Consolidated Balance Sheets. The majority of the remaining accrued severance balance will be paid during the remaining nine months of 2013. During the first quarter of 2013, $7 million of severance was paid.

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Facilities-related

The facilities-related charges of $1 million for the first quarter of 2013 relate to lease rent accruals for facilities we no longer occupy due to facilities consolidation. The lease rent costs included in the facilities-related charges are equal to the future costs associated with the facility, net of estimated proceeds from any future sublease agreements that could be reasonably obtained, based on management's estimate. We will continue to evaluate these estimates in future periods, and thus, there may be additional charges or reversals relating to these facilities. The facilities-related restructuring reserve will be paid over several years until the leases expire. The facilities-related reserve balance, which totaled $2 million at March 31, 2013 and $3 million at December 31, 2012, is included in other current liabilities and other non-current liabilities in the Condensed Consolidated Balance Sheets.

4. Acquisitions

We completed the following acquisitions in 2013 and 2012. Financial results of each transaction are included in our Condensed Consolidated Statements of Income from the dates of each acquisition.

2013 Acquisitions

In March 2013, we formed a joint venture with SharesPost, Inc., or SharesPost, to form The NASDAQ Private Market, or NPM, that is intended to establish the preeminent marketplace for private growth companies. We own a majority interest in NPM, combining NASDAQ OMX's resources, market and operating expertise with SharesPost's leading web-based platform. NPM plans to provide improved access to liquidity for early investors, founders and employees while enabling the efficient buying and selling of private company shares. NPM is subject to customary regulatory approvals and is expected to launch later in 2013. NPM is part of our U.S. Listing Services business within our Listing Services segment.

In April 2013, we acquired a 25% equity interest in The Order Machine, or TOM, a Dutch cash equities and equity derivatives trading venue. See Note 17, "Subsequent Events," for further discussion.

2012 Acquisitions

	Purchase Consideration	Total Net Assets (Liabilities) Acquired	Purchased Intangible Assets	Goodwill
	(in millions)			
NOS Clearing[1]	$ 40	$ 43	$ 1	$ -
BWise	77	(11)	35	53

(1) In the third quarter of 2012, we recognized a gain of $4 million on our acquisition of NOS Clearing.

The amounts in the table above for NOS Clearing and BWise Beheer B.V., or BWise, represent the preliminary allocation of the purchase price and are subject to revision during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Adjustments to the provisional values during the measurement period will be pushed back to the date of acquisition. Comparative information for periods after acquisition but before the period in which the adjustments are identified will be adjusted to reflect the effects of the adjustments as if they were taken into account as of the acquisition date. Changes to amounts recorded as assets and liabilities may result in a corresponding adjustment to goodwill. There were no adjustments to the provisional values for the above acquisitions during the first quarter of 2013.

Acquisition of NOS Clearing

In July 2012, we acquired NOS Clearing for approximately $40 million (233 million Norwegian Krone) in cash. NOS Clearing is a leading Norway-based clearinghouse primarily for OTC traded derivatives for the freight market and seafood derivatives market. We acquired net assets of $43 million, primarily restricted cash related to regulatory capital. The purchased intangible assets totaling $1 million consisted of customer relationships. NOS Clearing is part of our European derivative trading and clearing business within our Market Services segment.

Acquisition of BWise

In May 2012, we acquired a 72% ownership interest in BWise, a Netherlands-based service provider that offers enterprise governance, risk management and compliance software and services to help companies track, measure and manage key organizational risks for approximately $57 million (47 million Euro) in cash. We have agreed to purchase the remaining 28% ownership interest in BWise in two separate transactions, resulting in 100% ownership by the first half of 2015 for a total purchase price of approximately $77 million (62 million Euro). We acquired net liabilities of $2 million and recorded a current deferred tax liability of $1 million and a non-current deferred tax liability of $8 million related to purchased intangible assets, resulting in total net liabilities acquired of $11 million. The total deferred tax liabilities of $9 million represent the tax effect of the difference between the estimated assigned fair value of the acquired intangible assets ($35 million) and the tax basis ($0) of such assets. The estimated amount of $9 million was

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determined by multiplying the difference of $35 million by BWise's effective tax rate of 25%. The purchased intangible assets of $35 million consisted of $23 million in customer relationships, $7 million in technology and $5 million for the BWise trade name. BWise is part of our Market Technology business within our Technology Solutions segment.

Acquisition of the Index Business of Mergent, Inc., including Indxis

In December 2012, we acquired the index business of Mergent, Inc., including Indxis, for approximately $15 million in cash. The $5 million in intangible assets, $9 million in goodwill and $1 million in net assets resulting from this acquisition are included in our Index Licensing and Services business within our Information Services segment.

Pro Forma Results and Acquisition-related Costs

Pro forma financial results for the acquisitions completed in 2013 and 2012 have not been presented since these acquisitions both individually and in the aggregate were not material to our financial results.

Acquisition-related costs for the transactions described above were expensed as incurred and are included in merger and strategic initiatives expense in the Condensed Consolidated Statements of Income.

2013 Proposed Acquisitions

Agreement to Acquire eSpeed for Trading of U.S. Treasuries

In April 2013, we announced an agreement with BGC Partners, Inc. and certain of its affiliates, or BGC, to acquire certain assets and assume certain liabilities, including 100% of the equity interest in eSpeed Technology Services, L.P., eSpeed Technology Services Holdings, LLC, Kleos Managed Services, L.P. and Kleos Managed Services Holdings, LLC; the eSpeed brand name; various assets comprising the fully electronic portion of BGC's benchmark on-the-run U.S. Treasury brokerage and market data and co-location service businesses, or eSpeed. See Note 17, "Subsequent Events," for further discussion.

Acquisition of the Investor Relations, Public Relations and Multimedia Solutions Businesses of Thomson Reuters

In December 2012, we announced an agreement with Thomson Reuters to acquire its Investor Relations, Public Relations and Multimedia Solutions businesses for $390 million. We expect to finance the purchase price through the use of cash on hand or utilization of our credit facility. Upon closing, we intend to integrate these complementary businesses into our Corporate Solutions business within our Technology Solutions segment. The proposed transaction is expected to close in the second quarter of 2013.

5. Goodwill and Purchased Intangible Assets

Goodwill

In connection with the change in reportable segments discussed in Note 16, "Business Segments," we reallocated the goodwill that existed as of December 31, 2012 to our new reporting units on a relative fair value basis.

The following table presents the changes in goodwill by business segment during the three months ended March 31, 2013:

	Market Services	Listing Services	Information Services	Technology Solutions	Total
	(in millions)				
Balance at December 31, 2012	$ 2,955	$ 136	$ 1,964	$ 280	$ 5,335
Foreign currency translation adjustment	(14)	(1)	(8)	(3)	(26)
Balance at March 31, 2013	$ 2,941	$ 135	$ 1,956	$ 277	$ 5,309

As of March 31, 2013, the amount of goodwill that is expected to be deductible for tax purposes in future periods is $86 million.

Goodwill represents the excess of the purchase price over the value assigned to the net tangible and identifiable intangible assets of a business acquired. Goodwill is allocated to our reporting units based on the assignment of the fair values of each reporting unit of the acquired company. We perform an annual goodwill impairment test during the fourth quarter of our fiscal year using carrying amounts as of October 1. Should certain events or indicators of impairment occur between annual impairment tests, we will perform the impairment test as those events or indicators occur. We assess goodwill impairment at the reporting unit level.

During the first quarter of 2013, we performed a goodwill impairment assessment as a result of our change in reportable segments. For purposes of performing the impairment test for goodwill, our six reporting units are the Market Services segment, the Listing Services segment, the two businesses comprising the Information Services segment: Market Data Products and Index Licensing and Services, and the two businesses comprising the Technology Solutions segment: Corporate Solutions and Market Technology. We allocated goodwill to each reporting unit based on its relative fair value. We then compared the fair value of the reporting units to the reporting units’ carrying amount and determined that goodwill was not impaired since the fair values of each of the reporting units exceeded their carrying amounts. However, events such as economic weakness or unexpected significant declines in operating results of a reporting unit may result in goodwill impairment charges in the future.

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Purchased Intangible Assets

The following table presents details of our total purchased intangible assets, both finite- and indefinite-lived:

	March 31, 2013				December 31, 2012			
	Gross Amount	Accumulated Amortization	Net Amount	Weighted-Average Useful Life (in Years)	Gross Amount	Accumulated Amortization	Net Amount	Weighted-Average Useful Life (in Years)
	(in millions)				(in millions)			
Finite-Lived Intangible Assets								
Technology	$ 25	$ (10)	$ 15	6	$ 26	$ (10)	$ 16	5
Customer relationships	864	(250)	614	21	871	(238)	633	21
Other	6	(2)	4	8	6	(2)	4	8
Foreign currency translation adjustment	(1)	-	(1)		6	(1)	5	
Total finite-lived intangible assets	$ 894	$ (262)	$ 632		$ 909	$ (251)	$ 658	
Indefinite-Lived Intangible Assets								
Exchange and clearing registrations	$ 790	$ -	$ 790		$ 790	$ -	$ 790	
Trade names	183	-	183		185	-	185	
Licenses	51	-	51		51	-	51	
Foreign currency translation adjustment	(37)	-	(37)		(34)	-	(34)	
Total indefinite-lived intangible assets	$ 987	$ -	$ 987		$ 992	$ -	$ 992	
Total intangible assets	$ 1,881	$ (262)	$ 1,619		$ 1,901	$ (251)	$ 1,650	

Amortization expense for purchased finite-lived intangible assets was $13 million for both the three months ended March 31, 2013 and March 31, 2012.

The estimated future amortization expense (excluding the impact of foreign currency translation adjustment) of purchased finite-lived intangible assets as of March 31, 2013 is as follows:

	(in millions)
2013[(1)]	$ 38
2014	48
2015	47
2016	46
2017	43
2018 and thereafter	411
Total	$ 633

(1) Represents the estimated amortization to be recognized for the remaining nine months of 2013.

Intangible Asset Impairment Charges

In the first quarter of 2013, we recorded non-cash intangible asset impairment charges totaling $10 million related to certain acquired intangible assets associated with customer relationships ($7 million) and a certain trade name ($3 million). These impairments resulted primarily from changes in the forecasted revenues associated with the acquired customer list of FTEN, Inc., or FTEN. The fair value of customer relationships was determined using the income approach, specifically the multi-period excess earnings method. The fair value of the trade name was determined using the income approach, specifically the relief from royalty method. These charges are recorded in asset impairment charges in the Condensed Consolidated Statements of Income. These impairment charges related to our Market Services segment. However, for segment reporting purposes, these charges were allocated to corporate items based on the decision that these charges should not be used to evaluate the segment's operating performance.

6. Investments

Trading Securities

Trading securities, which are included in financial investments, at fair value in the Condensed Consolidated Balance Sheets, were $195 million as of March 31, 2013 and $201 million as of December 31, 2012. These securities are primarily comprised of

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Swedish government debt securities, of which $141 million as of March 31, 2013 and $134 million as of December 31, 2012, are restricted assets to meet regulatory capital requirements primarily for our clearing operations at NASDAQ OMX Nordic Clearing.

Available-for-Sale Investment Security

Investment in DFM

Our available-for-sale investment security, which is included in financial investments, at fair value in the Condensed Consolidated Balance Sheets, represents our 1% investment in Dubai Financial Market PJSC, or DFM. The adjusted cost basis of this security was $18 million as of March 31, 2013 and December 31, 2012. The fair value of this investment was $23 million as of March 31, 2013 and $22 million as of December 31, 2012. The gross change between the adjusted cost basis and fair value as of March 31, 2013 of $5 million is reflected as an unrealized holding gain in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets.

Equity Method Investments

The carrying amounts of our equity method investments totaled $13 million as of March 31, 2013 and December 31, 2012 and are included in other non-current assets in the Condensed Consolidated Balance Sheets. Our equity method investments consisted primarily of our equity interest in European Multilateral Clearing Facility N.V., or EMCF. In March 2013, we signed a memorandum of understanding to become equal shareholders in a new combined clearinghouse to be called EuroCCP. EuroCCP is expected to combine the risk management and customer service organization of EuroCCP with the technology and operations infrastructure of EMCF. Our ownership interest will be 25%. This transaction is expected to close before the end of the year.

Income recognized from our equity interest in the earnings and losses of these equity method investments was immaterial for both the three months ended March 31, 2013 and 2012.

In the first quarter of 2012, we recorded a non-cash, other-than-temporary impairment charge on our equity investment in EMCF of $12 million due to a decline in operations at EMCF during the three months ended March 31, 2012. This loss is included in asset impairment charges in the Condensed Consolidated Statements of Income for the three months ended March 31, 2012.

Cost Method Investments

The carrying amount of our cost method investment totaled $37 million as of March 31, 2013 and December 31, 2012 and is included in other non-current assets in the Condensed Consolidated Balance Sheets. Our cost method investment represents our 3.7% pro forma ownership interest in LCH Clearnet Group Limited, or LCH. We account for this investment as a cost method investment as we do not control and do not exercise significant influence over LCH and there is no readily determinable fair value of LCH’s shares since they are not publicly traded. In March 2013, LCH announced a capital raise in order to meet increased regulatory capital requirements. We have indicated our intent to participate in the capital raise and increase our ownership percentage to 5% for a combined total of 21 million Euro in cash. We expect to complete this transaction in the second quarter of 2013.

7. Deferred Revenue

Deferred revenue represents cash payments received that are yet to be recognized as revenue. At March 31, 2013, we estimate that our deferred revenue, which is primarily related to Listing Services and Market Technology revenues, will be recognized in the following years:

	Initial Listing Revenues	Listing of Additional Shares Revenues	Annual Renewal and Other Revenues	Market Technology Revenues[2]	Total
	(in millions)				
Fiscal year ended:					
2013[1]	$ 8	$ 28	$ 137	$ 58	$ 231
2014	9	26	1	34	70
2015	8	15	-	23	46
2016	5	7	-	21	33
2017	3	-	-	11	14
2018 and thereafter	1	-	-	3	4
	$ 34	$ 76	$ 138	$ 150	$ 398

(1) Represents deferred revenue that is anticipated to be recognized over the remaining nine months of 2013.

(2) The timing of recognition of our deferred Market Technology revenues is dependent upon the completion of customization and any significant modifications made pursuant to existing contracts. As such, as it relates to these revenues, the timing represents our best estimate.

The changes in our deferred revenue during the three months ended March 31, 2013 and 2012 are reflected in the following table.

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	Initial Listing Revenues	Listing of Additional Shares Revenues	Annual Renewal and Other Revenues	Market Technology Revenues[2]	Total
	(in millions)				
Balance at January 1, 2013	$ 36	$ 78	$ 32	$ 149	$ 295
Additions[1]	2	8	168	16	194
Amortization[1]	(4)	(10)	(55)	(20)	(89)
Translation adjustment	-	-	(7)	5	(2)
Balance at March 31, 2013	$ 34	$ 76	$ 138	$ 150	$ 398
Balance at January 1, 2012	$ 39	$ 86	$ 25	$ 128	$ 278
Additions[1]	3	2	165	47	217
Amortization[1]	(4)	(10)	(52)	(24)	(90)
Translation adjustment	-	-	-	5	5
Balance at March 31, 2012	$ 38	$ 78	$ 138	$ 156	$ 410

(1) The additions and amortization for initial listing revenues, listing of additional shares revenues and annual renewal and other revenues primarily reflect revenues from our U.S. listing services business.

(2) Market Technology deferred revenues include revenues from delivered client contracts in the support phase charged during the period. Under contract accounting, where customization and significant modifications to the software are made to meet the needs of our customers, total revenues, as well as costs incurred, are deferred until significant modifications are completed and delivered. Once delivered, deferred revenue and the related deferred costs are recognized over the post contract support period. We have included the deferral of costs in other current assets and other non-current assets in the Condensed Consolidated Balance Sheets. The amortization of Market Technology deferred revenue primarily includes revenues earned from client contracts recognized during the period.

8. Debt Obligations

The following table presents the changes in the carrying amount of our debt obligations during the three months ended March 31, 2013:

	December 31, 2012	Additions	Payments, Conversions, Accretion and Other	March 31, 2013
	(in millions)			

2.50% convertible senior notes due August 15, 2013[1]	$ 91	$ -	$ 1	$ 92
4.00% senior unsecured notes due January 15, 2015 (net of discount)[2]	399	-	-	399
5.55% senior unsecured notes due January 15, 2020 (net of discount)[2]	598	-	-	598
5.25% senior unsecured notes due January 16, 2018 (net of discount)[2]	368	-	-	368
$1.2 billion senior unsecured five-year credit facility[3]:				
$450 million senior unsecured term loan facility credit agreement due September 19, 2016 (average interest rate of 1.58% for the period January 1, 2013 through March 31, 2013)	394	-	(11)	383
$750 million revolving credit commitment due September 19, 2016 (average interest rate of 1.38% for the period January 1, 2013 through March 31, 2013)	126	-	-	126
Total debt obligations	1,976	-	(10)	1,966
Less current portion	(136)	-	(1)	(137)
Total long-term debt obligations	$ 1,840	$ -	$ (11)	$ 1,829

(1) See “2.50% Convertible Senior Notes” below for further discussion.

(2) See “Senior Unsecured Notes” below for further discussion.

(3) See “2011 Credit Facility” below for further discussion.

2.50% Convertible Senior Notes

During the first quarter of 2008, in connection with the business combination with OMX AB, we completed the offering of $475 million aggregate principal amount of 2.50% convertible senior notes due August 15, 2013, or the 2013 Convertible Notes. The interest rate on the notes is 2.50% per annum payable semiannually in arrears on February 15 and August 15.

The 2013 Convertible Notes are convertible in certain circumstances specified in the indenture for the notes. Upon conversion, holders will receive, at the election of NASDAQ OMX, cash, common stock or a combination of cash and common stock. It is our current intent and policy to settle the principal amount of the notes in cash. The conversion rate as of March 31, 2013, subject to

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adjustment due to certain events including the payment of cash dividends, is 18.5249 shares of common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $53.98 per share of common stock. As of March 31, 2013, the remaining aggregate principal amount outstanding of the 2013 Convertible Notes was convertible into 1,722,508 shares of our common stock. The conversion rate as of December 31, 2012, subject to adjustment in certain events, was 18.4504 shares of common stock per $1,000 principal amount of notes, which was equivalent to a conversion price of approximately $54.20 per share of common stock. As of December 31, 2012, the remaining aggregate principal amount outstanding of the 2013 Convertible Notes was convertible into 1,715,517 shares of our common stock. Subject to certain exceptions, if we undergo a "fundamental change" as described in the indenture, holders may require us to purchase their notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

Liability and Equity Components

Since the settlement structure of the 2013 Convertible Notes permits settlement in cash upon conversion, we are required to separately account for the liability and equity components of the convertible debt in a manner that reflects our nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This entails bifurcation of a component of the debt, classification of that component in equity and then accretion of the resulting discount on the debt being reflected in the income statement as part of interest expense.

The changes in the liability and equity components of the 2013 Convertible Notes during the three months ended March 31, 2013 are as follows:

	Liability Component			Equity Component		
	Principal Balance	Unamortized Debt Discount	Net Carrying Amount	Gross Equity Component	Deferred Taxes	Net Equity Component
	(in millions)					
December 31, 2012	$ 93	$ 2	$ 91	$ 71	$ 32	$ 39
Accretion of debt discount	-	(1)	1	-	-	-
March 31, 2013	$ 93	$ 1	$ 92	$ 71	$ 32	$ 39

The unamortized debt discount on the 2013 Convertible Notes was $1 million as of March 31, 2013 and $2 million as of December 31, 2012 and is included in debt obligations in the Condensed Consolidated Balance Sheets. The remaining amount of $1 million will be accreted as part of interest expense through August 15, 2013, the maturity date of the convertible debt. The effective annual interest rate on the 2013 Convertible Notes was 6.53% for both the three months ended March 31, 2013 and 2012, which includes the accretion of the debt discount in addition to the annual contractual interest rate of 2.50%.

The equity component of the convertible debt is included in additional paid-in capital in the Condensed Consolidated Balance Sheets and was $39 million at March 31, 2013 and December 31, 2012.

Interest Expense

Interest expense recognized on the 2013 Convertible Notes in the Condensed Consolidated Statements of Income for the three months ended March 31, 2013 and 2012 is as follows:

	Three Months Ended March 31, 2013		2012	
	(in millions)			
Components of interest expense recognized on the 2013 Convertible Notes				
Accretion of debt discount	$	1	$	1
Contractual interest		1		1
Total interest expense recognized on the 2013 Convertible Notes	$	2	$	2

Senior Unsecured Notes

4.00% and 5.55% Senior Unsecured Notes

In January 2010, NASDAQ OMX issued $1 billion of senior unsecured notes, or the Notes. The Notes were issued at a discount in two separate series consisting of $400 million aggregate principal amount of 4.00% senior notes due 2015, or the 2015 Notes, and $600 million aggregate principal amount of 5.55% senior notes due 2020, or the 2020 Notes. As a result of the discount, the proceeds received from the issuance were less than the aggregate principal amounts. As of March 31, 2013, the balance of $399 million for the 2015 Notes and the balance of $598 million for the 2020 Notes reflect the aggregate principal amounts, less the unamortized debt discount. The unamortized debt discount will be accreted through interest expense over the life of the Notes.

The 2015 Notes pay interest semiannually at a rate of 4.00% per annum until January 15, 2015, and the 2020 Notes pay interest semiannually at a rate of 5.55% per annum until January 15, 2020. The Notes are general unsecured obligations of ours and rank equally with all of our existing and future unsubordinated obligations. The Notes are not guaranteed by any of our subsidiaries. The

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Notes were issued under indentures that, among other things, limit our ability to consolidate, merge or sell all or substantially all of our assets, create liens, and enter into sale and leaseback transactions.

Debt Issuance Costs

We incurred debt issuance and other costs of $8 million in connection with the issuance of the Notes. These costs, which are capitalized and included in other non-current assets in the Condensed Consolidated Balance Sheets, are being amortized over the life of the debt obligations. Amortization expense, which is recorded as additional interest expense for these costs, was immaterial for both the three months ended March 31, 2013 and 2012.

5.25% Senior Unsecured Notes

In December 2010, NASDAQ OMX issued $370 million of 5.25% senior unsecured notes due January 16, 2018, or the 2018 Notes. The 2018 Notes were issued at a discount. As a result of the discount, the proceeds received from the issuance were less than the aggregate principal amount. As of March 31, 2013, the balance of $368 million reflects the aggregate principal amount, less the unamortized debt discount. The unamortized debt discount will be accreted through interest expense over the life of the 2018 Notes.

The 2018 Notes pay interest semiannually at a rate of 5.25% per annum until January 16, 2018 and such rate may vary with NASDAQ OMX’s debt rating up to a rate not to exceed 7.25%. The 2018 Notes are general unsecured obligations of ours and rank equally with all of our existing and future unsubordinated obligations. They are not guaranteed by any of our subsidiaries. The 2018 Notes were issued under indentures that among other things, limit our ability to consolidate, merge or sell all or substantially all of our assets, create liens, and enter into sale and leaseback transactions. In addition, upon a change of control triggering event (as defined in the indenture), the terms require us to repurchase all or part of each holder’s notes for cash equal to 101% of the aggregate principal amount purchased plus accrued and unpaid interest, if any.

Credit Facilities

2011 Credit Facility

In September 2011, NASDAQ OMX entered into a $1.2 billion senior unsecured five-year credit facility which matures on September 19, 2016, or the 2011 Credit Facility. The 2011 Credit Facility consists of a $450 million funded term loan, or the 2016 Term Loan, and a $750 million revolving credit commitment (including a swingline facility and letter of credit facility). NASDAQ OMX applied the $450 million in proceeds from the 2016 Term Loan to repay in full the remaining $450 million principal amount outstanding on our former credit facility.

In October 2011, we borrowed $250 million under the revolving credit commitment portion of the 2011 Credit Facility in order to partially fund a tender offer on our 2013 Convertible Notes. As of March 31, 2013, availability under the revolving credit commitment was $624 million.

The loans under the 2011 Credit Facility have a variable interest rate based on either the London Interbank Offered Rate, or LIBOR, or the Federal Funds Rate, plus an applicable margin that varies with NASDAQ OMX’s debt rating.

Under the 2011 Credit Facility, we are required to pay quarterly principal payments equal to 2.50% of the original aggregate principal amount borrowed under the 2016 Term Loan. In the first three months of 2013, we made a required quarterly principal payment of $11 million on our 2016 Term Loan.

The 2011 Credit Facility contains financial and operating covenants. Financial covenants include an interest expense coverage ratio and a maximum leverage ratio. Operating covenants include limitations on NASDAQ OMX's ability to incur additional indebtedness, grant liens on assets, enter into affiliate transactions and pay dividends. Our credit facilities allow us to pay cash dividends on our common stock as long as certain leverage ratios are maintained. The 2011 Credit Facility also contains customary affirmative covenants, including access to financial statements, notice of defaults and certain other material events, maintenance of business and insurance, and events of default, including cross-defaults to our material indebtedness.

NASDAQ OMX is permitted to repay borrowings under the 2011 Credit Facility at any time in whole or in part, without penalty. We are also required to repay loans outstanding under the 2011 Credit Facility with net cash proceeds from sales of property and assets of NASDAQ OMX and its subsidiaries (excluding inventory sales and other sales in the ordinary course of business) and casualty and condemnation proceeds, in each case subject to specified exceptions and thresholds.

Debt Issuance Costs

We incurred debt issuance and other costs of $5 million in connection with the entry into the 2011 Credit Facility. These costs, which are capitalized and included in other non-current assets in the Condensed Consolidated Balance Sheets, are being amortized over the life of the 2011 Credit Facility. Amortization expense, which is recorded as additional interest expense for these costs, was immaterial for both the three months ended March 31, 2013 and 2012.

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Other Credit Facilities

In addition to the revolving credit commitment under our 2011 Credit Facility discussed above, we have credit facilities related to our clearinghouses in order to meet liquidity and regulatory requirements. At March 31, 2013, these credit facilities, which are available in multiple currencies, primarily Swedish Krona, totaled $308 million ($216 million in available liquidity and $92 million to satisfy regulatory requirements), none of which was utilized. At December 31, 2012, these facilities totaled $310 million ($217 million in available liquidity and $93 million to satisfy regulatory requirements), none of which was utilized.

Debt Covenants

At March 31, 2013, we were in compliance with the covenants of all of our debt obligations.

9. Employee Benefits

U.S. Defined-Benefit Pension and Supplemental Executive Retirement Plans

We maintain non-contributory, defined-benefit pension plans, non-qualified supplemental executive retirement plans, or SERPs, for certain senior executives and post-retirement benefit plans for eligible employees in the U.S., collectively referred to as the NASDAQ OMX Benefit Plans.

Our pension plans and SERPs are frozen. Future service and salary for all participants do not count toward an accrual of benefits under the pension plans and SERPs.

Components of Net Periodic Benefit Cost

The following table sets forth the components of net periodic pension, SERP and post-retirement benefits costs from the NASDAQ OMX Benefit Plans recognized in compensation and benefits expense in the Condensed Consolidated Statements of Income:

	Three Months Ended March 31,	
	2013	2012
	(in millions)	
Components of net periodic benefit cost		
Interest cost	$ 1	$ 1
Expected return on plan assets	(1)	(1)
Recognized net actuarial loss	1	1
Net periodic benefit cost	$ 1	$ 1

Non-U.S. Benefit Plans

Most employees outside the U.S. are covered by local retirement plans or by applicable social laws. Benefits under social laws are generally expensed in the periods in which the costs are incurred. These costs are included in compensation and benefits expense in the Condensed Consolidated Statements of Income and were $5 million for the three months ended March 31, 2013 and $3 million for the three months ended March 31, 2012.

U.S. Defined Contribution Savings Plan

We sponsor a voluntary defined contribution savings plan, or 401(k) Plan, for U.S. employees. Employees are immediately eligible to make contributions to the plan and are also eligible for an employer contribution match at an amount equal to 100.0% of the first 4.0% of eligible employee contributions. Savings plan expense included in compensation and benefits expense in the Condensed Consolidated Statements of Income was $1 million for both the three months ended March 31, 2013 and March 31, 2012.

We have a profit-sharing contribution feature to our 401(k) plan which allows eligible U.S. employees to receive employer retirement contributions, or ERCs, when we meet our annual corporate goals. In addition, we have a supplemental ERC for select highly compensated employees whose ERCs are limited by the annual Internal Revenue Service compensation limit. ERC expense recorded in compensation and benefits expense in the Condensed Consolidated Statements of Income was $1 million for the three months ended March 31, 2013 and immaterial for the three months ended March 31, 2012.

Employee Stock Purchase Plan

We have an employee stock purchase plan, or ESPP, under which approximately 3.3 million shares of our common stock have been reserved for future issuance as of March 31, 2013.

Our ESPP allows eligible U.S. and non-U.S. employees to purchase a limited number of shares of our common stock at six-month intervals, called offering periods, at 85.0% of the lower of the fair market value on the first or the last day of each offering period. The 15.0% discount given to our employees is included in compensation and benefits expense in the Condensed Consolidated

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Statements of Income and was $1 million for the three months ended March 31, 2013 and immaterial for the three months ended March 31, 2012.

10. Share-Based Compensation

We have a share-based compensation program that provides our board of directors broad discretion in creating employee equity incentives. Share-based awards, or equity awards, granted under this program include stock options, restricted stock (consisting of restricted stock units), and performance share units, or PSUs. Grants of equity awards are designed to reward employees for their long-term contributions and provide incentives for them to remain with us. For accounting purposes, we consider PSUs to be a form of restricted stock.

Restricted stock is generally time-based and vests over three- to five-year periods beginning on the date of the grant. Stock options are also generally time-based and expire ten years from the grant date. Stock option and restricted stock awards generally include performance-based accelerated vesting features based on achievement of specific levels of corporate performance. If NASDAQ OMX exceeds the applicable performance parameters, the grants vest on the third anniversary of the grant date, if NASDAQ OMX meets the applicable performance parameters, the grants vest on the fourth anniversary of the grant date, and if NASDAQ OMX does not meet the applicable performance parameters, the grants vest on the fifth anniversary of the grant date.

PSUs are based on performance measures that impact the amount of shares that each recipient will receive upon vesting. PSUs are granted at the fair market value of our stock on the grant date and compensation cost is recognized over the performance period and, in certain cases, an additional vesting period. For each grant of PSUs, an employee may receive from 0% to 150% of the target amount granted, depending on the achievement of performance measures. We report the target number of PSUs granted, unless we have determined that it is more likely than not, based on the actual achievement of performance measures, that an employee will receive a different amount of shares underlying the PSUs, in which case we report the amount of shares the employee is likely to receive.

We also have a performance-based long-term incentive program for our chief executive officer, executive vice presidents and senior vice presidents that focuses on total shareholder return, or TSR. This program represents 100% of our chief executive officer’s and executive vice presidents’ long-term stock-based compensation and 50% of our senior vice presidents’ long-term stock-based compensation. Under the program, each individual receives PSUs with a three-year cumulative performance period. Performance will be determined by comparing NASDAQ OMX’s TSR to two peer groups, each weighted 50%. The first peer group consists of exchange companies, and the second peer group consists of all companies in the Standard & Poor 500 Index. NASDAQ OMX’s relative performance ranking against each of these groups will determine the final number of shares delivered to each individual under the program. The payout under this program will be between 0% and 200% of the number of PSUs granted and will be determined by NASDAQ OMX’s overall performance against both peer groups. However, if NASDAQ OMX’s TSR is negative for the three-year performance period, regardless of TSR ranking, the payout will not exceed 100% of the number of PSUs granted. We estimate the fair value of PSU’s granted under the TSR program using the Monte Carlo simulation model, as these awards contain a market condition.

Common Shares Available Under Our Equity Plan

As of March 31, 2013, we had approximately 4.1 million shares of common stock authorized for future issuance under our Equity Plan.

Summary of Share-Based Compensation Expense

The following table shows the total share-based compensation expense resulting from equity awards and the 15.0% discount for the ESPP for the three months ended March 31, 2013 and 2012 in the Condensed Consolidated Statements of Income:

	Three Months Ended March 31,	
	2013	2012
	(in millions)	
Share-based compensation expense before income taxes	$ 9	$ 10
Income tax benefit	(4)	