EASTMAN CHEMICAL CO
Form 8-K
October 25, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15 (d) of The Securities Exchange Act of 1934

Date of report (Date of earliest event reported):
October 25, 2018

EASTMAN CHEMICAL COMPANY
(Exact Name of Registrant as Specified in Its Charter)

Delaware	1-12626	62-1539359
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

200 South Wilcox Drive, Kingsport, TN	37662
(Address of Principal Executive Offices)	(Zip Code)

(423) 229-2000
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.o

EASTMAN CHEMICAL COMPANY - EMN

Item 2.02 Results of Operations and Financial Condition

On October 25, 2018 the registrant publicly released its financial results for third quarter 2018. The full text of the release is furnished as Exhibit 99.01 to this Current Report on Form 8-K, and is incorporated herein by reference. This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

EASTMAN CHEMICAL COMPANY - EMN

Item 9.01 Financial Statements and Exhibits:

(d) Exhibits

The following exhibit is furnished pursuant to Item 9.01:

99.01 Public release by the registrant on October 25, 2018 of third quarter 2018 financial results.

EASTMAN CHEMICAL COMPANY - EMN

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Eastman Chemical Company

By: /s/ Scott V. King
Scott V. King
Vice President, Corporate Controller and Chief Accounting Officer

Date: October 25, 2018

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Income (loss) before income taxes

$226 $46 $7 $(23)[(1)] $256 **Market Services Issuer Services Market Technology Corporate Items and Eliminations Consolidated (in millions)**

Six months ended June 30, 2008

	Market Services	Issuer Services	Market Technology	Corporate Items and Eliminations	Consolidated
Total revenues	$1,406	$169	$55	$5	$1,635
Cost of revenues	(977)				(977)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	429	169	55	5	658
Income (loss) before income taxes	$235	$44	$(1)	$65[(2)]	$343

(1) The three and six months ended June 30, 2009 amounts primarily include:
- loss on sale of our 25.25% share capital in Orc of $19 million; and
- loss on sale of an available-for-sale investment in Oslo of $5 million, which was acquired as part our business combination with OMX AB.

(2) The six months ended June 30, 2008 amount primarily includes:

- gain on foreign currency contracts, net of $35 million, which were purchased to hedge the foreign exchange exposure in connection with our business combination with OMX AB ($27 million) and the Nord Pool transaction ($8 million); and
- gain from unconsolidated investees, net of $28 million, primarily related to our $26 million gain on the non-monetary contribution of the Nasdaq trade name to obtain an equity interest in NASDAQ Dubai.

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For further discussion of our segments results, see Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Segment Operating Results.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of the financial condition and results of operations of NASDAQ OMX in conjunction with our condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

Overview

On February 27, 2008, Nasdaq and OMX AB combined their businesses and Nasdaq was renamed The NASDAQ OMX Group, Inc. Under the purchase method of accounting, Nasdaq was treated as the accounting and legal acquirer in the business combination with OMX AB. We also completed our acquisitions of PHLX in July 2008, BSX in August 2008 and certain businesses of Nord Pool in October 2008. These acquisitions also have been treated as purchases for accounting purposes, with NASDAQ OMX treated as the acquirer. Additionally, during 2008, we purchased a majority stake in IDCG in December 2008 and a 20% aggregate equity interest in Agora-X (13.3% in March 2008 and an additional 6.7% in December 2008). The financial results of OMX AB are included in the consolidated financial results beginning on February 27, 2008. PHLX is included beginning July 2008, BSX is included beginning August 2008, the Nord Pool businesses are included beginning October 2008, IDCG is included beginning December 2008 and our initial equity interest in Agora-X of 13.3% beginning in March 2008 and the aggregate 20% beginning in December 2008.

Financial Highlights

The comparability of our operating results for the three months ended June 30, 2009 to the same period in 2008 is significantly impacted by our acquisition of PHLX and our Nord Pool transaction. The comparability of our operating results for the six months ended June 30, 2009 to the same period in 2008 is significantly impacted by our business combination with OMX AB as well as the acquisition of PHLX and our Nord Pool transaction. In our discussion and analysis of results of operations, we have quantified the contribution of additional revenues or expenses resulting from OMX, NASDAQ OMX PHLX and NASDAQ OMX Commodities operations wherever such amounts were material. While identified amounts may provide indications of general trends, the analysis cannot completely address the effects attributable to integration efforts.

In addition, fluctuations in the value of foreign currencies relative to the U.S. dollar impacted our operating results. Impacts associated with fluctuations in foreign currency are discussed in more detail under Item 3 Quantitative and Qualitative Disclosures about Market Risks. For the three months ended June 30, 2009, approximately 34% of our revenues less liquidity rebates, brokerage, clearance and exchange fees and 26% of our operating income were derived in currencies other than the U.S. dollar, primarily the Swedish Krona and Euro. For the six months ended June 30, 2009, approximately 33% of our revenues less liquidity rebates, brokerage, clearance and exchange fees and 22% of our operating income were derived in currencies other than the U.S. dollar, primarily the Swedish Krona and Euro.

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

The following summarizes significant changes in our financial performance in the second quarter and first six months of 2009 when compared with the same periods in 2008:

Revenues less liquidity rebates, brokerage, clearance and exchange fees decreased $13 million, or 3.4%, to $367 million in the second quarter of 2009, compared with $380 million in the second quarter of 2008, reflecting an unfavorable impact from foreign exchange of $33 million, partially offset by a $20 million increase due to operational growth. The operational growth was primarily due to an increase in derivative trading revenues due to the inclusion of NASDAQ OMX PHLX s derivative trading revenues for the second quarter of 2009.

Revenues less liquidity rebates, brokerage, clearance and exchange fees increased $77 million, or 11.7%, to $735 million in the first six months of 2009, compared with $658 million in the first six months of 2008, reflecting a $124 million increase due to operational growth, partially offset by an unfavorable impact of $47 million from foreign exchange. The operational growth was primarily due to an increase in derivative trading revenues mainly due to the inclusion of NASDAQ OMX PHLX s derivative trading revenues for the six-month period in 2009 and the inclusion of results of operations from OMX for the full six-month period in 2009 compared to four months in 2008.

Operating expenses decreased $17 million, or 7.6%, to $208 million in the second quarter of 2009, compared with $225 million in the second quarter of 2008, reflecting a favorable impact from foreign exchange of $23 million, partially offset by an increase in operating expenses of $6 million. The increase in operating expenses is primarily due the inclusion of NASDAQ OMX PHLX s operating expenses for the second quarter of 2009.

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Operating expenses increased $41 million, or 11.1%, to $411 million for the first six months of 2009, compared with $370 million for the first six months of 2008, reflecting an increase in operating expenses of $74 million, partially offset by a favorable impact of $33 million from foreign exchange. The increase in operating expenses was primarily due to the inclusion of OMX s operating expenses for the full six-month period in 2009 compared to four months in 2008, as well as the inclusion of NASDAQ OMX PHLX s operating expenses for the six-month period in 2009.

Interest expense increased $17 million, or 50.0%, to $51 million for the first six months of 2009, compared with $34 million for the first six months of 2008, primarily reflecting a full six months of interest expense in 2009 for the debt outstanding related to our business combination with OMX AB compared to four months of debt outstanding in the first six months of 2008. In addition, interest expense increased due to our outstanding debt obligations related to the acquisitions of PHLX and certain businesses of Nord Pool that were completed in the second half of 2008.

Income (loss) from unconsolidated investees, net was a net loss of $18 million for the second quarter of 2009 and a net loss of $20 million for the first six months of 2009, compared with net income of $1 million for the second quarter of 2008 and net income of $28 million for the first six months of 2008. The net loss for both the second quarter and first six months of 2009 is primarily due to a $19 million loss recorded in May 2009 related to the sale of our share capital in Orc. The net income for the first six months of 2008 primarily related to the NASDAQ Dubai transaction.

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

Business Environment

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

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

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

- The gradual return of confidence to the credit markets increasing the availability of liquidity to our technology customers, our suppliers, trading participants, and our listed companies;

- The reorganization and restructuring of certain market participants following the partial or complete takeover of financial institutions by national governments and the distressed mergers of market participant organizations;

- The emergence of new market participants seeing opportunities in the recovering global economy;

- The ongoing constraints on our fixed-income issuers ability to access the credit markets due to rating downgrades or illiquidity in the market;

- The caution of our technology customers and suppliers arising from the recent securities market decline and the economic slowdown;
- Continuing pressure related to transaction fee pricing due to intense competition in the U.S. and Europe;
- Competition for listings and trade executions related to pricing, and product and service offerings; and
- Other technological advancements and regulatory developments.

Currently our business drivers are characterized by improved stability in investors outlook for financial institutions and global economic growth, continued declines in the levels of market volatility, ongoing industry adaptation to major regulatory initiatives (for example, the Markets in Financial Instruments Directive, or MiFID, in the European economic area) and continued rapid evolution and deployment of new technology in the financial services industry. The business environment that influenced our financial performance during the second quarter of 2009 can be characterized as follows:

- A slightly improved pace for new equity issuance relative to the first quarter of 2009 with 13 IPOs across all exchanges in the U.S. and 3 new IPOs on The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic;
- Continued reduced access to debt and equity capital for both new and established companies with the exception of capital raising activity associated with the financial crisis;
- Moderate 4% year-on-year growth was experienced by the NASDAQ Stock Market relative to the second quarter of 2008 in U.S. equity matched trades driven by increased trading levels, which were partially offset by lower market share;

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18% growth relative to the second quarter of 2008 in the number of equity transactions on our Nordic and Baltic exchanges driven by participant trading in response to changing economic conditions;

27% decrease relative to the second quarter of 2008 in the value of equity transactions on our Nordic and Baltic exchanges caused in large part by lower equity prices;

A 27% decline experienced by our Nordic and Baltic exchanges relative to the second quarter of 2008 in number of traded derivatives contracts in equity related products (excluding EDX and Eurex);

A 24% decrease relative to the second quarter of 2008 in number of cleared derivatives contracts in fixed-income related products on our Nordic and Baltic exchanges caused in large part by short-term interest rates nearing 0% yield;

Intense competition among U.S. exchanges for both equity trading volume and listings and growing competition in Europe;

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

Consolidation of major global customers as financial institutions are acquired, merged, and restructured; and

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

NASDAQ OMX s Operating Results

Key Drivers

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Market Services				
Cash Equity Trading				
Average daily share volume in NASDAQ securities (in billions)	2.41	2.11	2.32	2.28
Matched market share in NASDAQ securities(1)	33.2%	42.0%	35.7%	44.5%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility in NASDAQ securities(2)	37.6%	23.1%	34.5%	21.8%
Total market share in NASDAQ securities(3)	70.7%	65.1%	70.2%	66.4%
Matched market share in NYSE securities(1)	15.8%	22.1%	17.1%	21.6%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility in NYSE securities(2)	32.6%	19.2%	30.1%	17.9%
Total market share in NYSE securities(3)	48.4%	41.3%	47.2%	39.4%
Matched market share in NYSE Amex and regional securities(1)	22.6%	34.3%	26.2%	35.3%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility in NYSE Amex and regional securities(2)	35.7%	17.0%	31.1%	16.5%

Total market share in NYSE Amex and regional securities[3]	58.3%	51.3%	57.3%	51.8%
Matched share volume in all U.S.-listed equities (in billions)	142.4	136.4	309.2	290.1
Matched market share in all U.S.-listed equities[1]	21.2%	29.6%	23.1%	30.3%
Average daily number of equity trades on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic	228,233	194,006	221,366	198,845
Average daily value of shares traded on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic (in billions)	$ 3.3	$ 6.1	$ 3.1	$ 6.2
Derivative Trading				
Average daily volume of U.S. equity contracts (in millions)	14.2	12.3	13.7	12.8
NASDAQ OMX PHLX matched market share of U.S. equity options	18.0%		17.5%	
The NASDAQ Options Market matched market share of U.S. equity options	3.3%	0.7%	3.0%	0.4%
Average daily volume of equity and fixed-income contracts traded on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic	322,313	435,601	328,295	468,353
Average daily volume of Nordic equity contracts traded on EDX London	113,121	150,891	122,216	153,911
Average daily volume of Finnish option contracts traded on Eurex	61,783	74,108	78,867	74,956
Clearing Turnover:				
Power contracts (TWh)[4]	496.6		1,093.5	
Carbon contracts (1000 tCO2) [4]	9,136		20,451	

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	Three Months Ended June 30, 2009	2008	Six Months Ended June 30, 2009	2008
Issuer Services				
Initial public offerings:				
NASDAQ	3	3	3	10
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic		9		11
New listings:				
NASDAQ(5)	18	42	34	90
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic	3	12	7	14
Number of listed companies:				
NASDAQ(6)	2,894	3,080	2,894	3,080
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic(7)	808	847	808	847
Market Technology				
Order intake (in millions)(8)	$ 10	$ 77	$ 19	$ 126
Total order value (in millions)(9)	$ 315	$ 435	$ 315	$ 435

(1) Includes transactions executed on both NASDAQ s and NASDAQ OMX BX s systems.

(2) Transactions reported to the Financial Industry Regulatory Authority, or FINRA/NASDAQ Trade Reporting Facility.

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

(4) Transactions executed on Nord Pool ASA and reported for clearing to NASDAQ OMX Commodities measured by Terawatt hours (TWh) and one thousand metric tons of carbon dioxide (1000 tCO_2).

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

(6) Number of listed companies for NASDAQ also includes separately listed ETFs.

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

(8) Total contract value of orders signed.

(9) Represents total contract value of orders signed that are yet to be recognized as revenue.

Business Segments

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

The Market Services segment includes our U.S. and European Transaction Services businesses and our Market Data business, which are interrelated because the Transaction Services businesses generate the quote and trade information that we sell to market participants and data distributors. Market Services also includes our Broker Services business.

The Issuer Services segment includes our Global Listing Services and the Global Index Group businesses. The companies listed on The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic represent a diverse array of industries. This diversity of companies listed on NASDAQ OMX markets allows us to develop industry-specific and other indexes that we use to develop and license NASDAQ OMX branded indexes, associated derivatives and index products as part of our Global Index Group.

The Market Technology segment provides technology solutions for trading, clearing and settlement, and information dissemination, and also offers facility management integration and advisory services.

Our management allocates resources, assesses performance and manages these businesses as three separate segments. See Note 16, Segments, to the condensed consolidated financial statements for further discussion.

Segment Operating Results

Of our total second quarter 2009 revenues less liquidity rebates, brokerage, clearance and exchange fees of $367 million, 67.0% was from our Market Services segment, 22.4% was from our Issuer Services segment, 9.8% was from our Market Technology segment and 0.8% related to other revenues, compared to our total second quarter 2008 revenues less liquidity rebates, brokerage, clearance and exchange fees of $380 million, of which 63.7% was from our Market Services segment, 24.2% was from our Issuer Services segment, 11.3% was from our Market Technology segment and 0.8% related to other revenues.

Of our first six months of 2009 revenues less liquidity rebates, brokerage, clearance and exchange fees of $735 million, 68.5% was from our Market Services segment, 21.9% was from our Issuer Services segment, 8.8% was from our Market Technology segment and 0.8% related to other revenues, compared to our total first six months of 2008 revenues less liquidity rebates, brokerage, clearance and exchange fees of $658 million, of which 65.2% was from our Market Services segment, 25.7% was from our Issuer Services segment, 8.3% was from our Market Technology segment and 0.8% related to other revenues.

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Percentage Change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percentage Change
	(in millions)			(in millions)		
Market Services	$ 768	$ 684	12.3%	$ 1,551	$ 1,406	10.3%
Cost of revenues	(522)	(442)	18.1%	(1,048)	(977)	7.3%
Market Services revenues less liquidity rebates, brokerage, clearance and exchange fees	246	242	1.7%	503	429	17.2%
Issuer Services	82	92	(10.9)%	161	169	(4.7)%
Market Technology	36	43	(16.3)%	65	55	18.2%
Other	3	3		6	5	20.0%
Total revenues less liquidity rebates, brokerage, clearance and exchange fees	$ 367	$ 380	(3.4)%	$ 735	$ 658	11.7%

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MARKET SERVICES

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Percentage Change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percentage Change
	(in millions)			(in millions)		
Transaction Services						
Cash Equity Trading Revenues:						
U.S. cash equity trading [1]	$ 540	$ 495	9.1%	$ 1,102	$ 1,093	0.8%
Cost of revenues:						
Liquidity rebates	(359)	(345)	4.1%	(798)	(730)	9.3%
Brokerage, clearance and exchange fees[1]	(138)	(95)	45.3%	(207)	(245)	(15.5)%
Total U.S. cash equity cost of revenues	(497)	(440)	13.0%	(1,005)	(975)	3.1%
U.S. cash equity trading revenues less liquidity rebates, brokerage, clearance and exchange fees	43	55	(21.8)%	97	118	(17.8)%
European cash equity trading	25	38	(34.2)%	50	51	(2.0)%
Total cash equity trading revenues less liquidity rebates, brokerage, clearance and exchange fees	68	93	(26.9)%	147	169	(13.0)%
Derivative Trading Revenues:						
U.S. derivative trading[2]	61	3	#	114	3	#
Cost of revenues:						
Liquidity rebates	(22)	(2)	#	(39)	(2)	#
Brokerage, clearance and exchange fees[2]	(3)		#	(4)		#
Total U.S. derivative trading cost of revenues	(25)	(2)	#	(43)	(2)	#
U.S. derivative trading revenues less liquidity rebates, brokerage, clearance and exchange fees	36	1	#	71	1	#
European derivative trading	19	20	(5.0)%	40	27	48.1%
Total derivative trading revenues less liquidity rebates, brokerage, clearance and exchange fees	55	21	#	111	28	#
Access Services revenues	32	26	23.1%	63	51	23.5%
Total Transaction Services revenues less liquidity rebates, brokerage, clearance and exchange fees	155	140	10.7%	321	248	29.4%
Market Data						
Net U.S. tape plans	30	36	(16.7)%	65	71	(8.5)%
U.S. market data products	30	27	11.1%	57	52	9.6%
European market data products	19	25	(24.0)%	38	34	11.8%
Total Market Data revenues	79	88	(10.2)%	160	157	1.9%

Broker Services	9	12	(25.0)%	17	19	(10.5)%
Other Market Services	3	2	50.0%	5	5	
Total Market Services revenues less liquidity rebates, brokerage, clearance and exchange fees	$ 246	$ 242	1.7%	$ 503	$ 429	17.2%

# Denotes a variance greater than 100.0%.

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(1) Includes Section 31 fees of $92 million in second quarter of 2009, $37 million in the second quarter of 2008, $117 million in the first six months of 2009 and $128 million in the first six months of 2008. Section 31 fees are recorded as U.S. cash equity trading revenues with a corresponding amount recorded in cost of revenues.

(2) Includes Section 31 fees of $3 million in both the second quarter and first six months of 2009. Section 31 fees are recorded as U.S. derivative trading revenues with a corresponding amount recorded in cost of revenues.

Transaction Services

Transaction Services revenues less liquidity rebates, brokerage, clearance and exchange fees increased in the second quarter and first six months of 2009 compared with the same periods in 2008, primarily due to an increase in derivative trading revenues less liquidity rebates, brokerage, clearance and exchange fees mainly due to the inclusion of NASDAQ OMX PHLX s derivative trading revenues for both the second quarter of 2009 and first six months of 2009, partially offset by a decrease in cash equity trading revenues less liquidity rebates, brokerage, clearance and exchange fees.

U.S. Cash Equity Trading Revenues

U.S. cash equity trading revenues increased in the second quarter of 2009 compared with the same period in 2008, primarily due to an increase in Section 31 fees, partially offset by a decrease in the number of shares matched and routed on NASDAQ s trading system and one less trading day in the quarter. The increase in the first six months of 2009 compared with the same period in 2008 was primarily due to an increase in the number of shares matched and routed by NASDAQ, partially offset by a decrease in Section 31 fees and one less trading day.

As discussed above, we record Section 31 fees as cash equity trading revenues with a corresponding amount recorded as cost of revenues. We are assessed these fees from the SEC and pass them through to our customers in the form of incremental fees. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on our revenues less liquidity rebates, brokerage, clearance and exchange fees. Section 31 fees were $92 million in the second quarter of 2009 and $117 million in the first six months of 2009 compared with $37 million in the second quarter of 2008 and $128 million in the first six months of 2008. The increase in the second quarter of 2009 compared with the same period in 2008 is primarily due to higher Section 31 fee rates. The decrease in the first six months of 2009 compared with the same period in 2008 is primarily due to lower dollar volume traded, partially offset by higher Section 31 fee rates.

Liquidity rebates, in which we credit a portion of the per share execution charge to the market participant that provides the liquidity, increased in the second quarter and first six months of 2009 compared with the same periods in 2008, primarily due to a higher number of shares matched on NASDAQ. Also contributing to the increase in the first six months of 2009 compared to the same period in 2008 was an increase in the amount of the rebate offered to liquidity providers.

Brokerage, clearance and exchange fees increased in the second quarter of 2009 and decreased in the first six months of 2009 compared with the same periods in 2008. The increase in the second quarter of 2009 was primarily due to higher Section 31 fee rates, partially offset by lower routing costs due to a decrease in the amount of volume routed by NASDAQ and lower fees incurred from the National Securities Clearing Corporation, or NSCC. The decrease in the first six months of 2009 was primarily due to lower routing costs as a result of less volume being routed by NASDAQ along with a decrease in Section 31 fees due to lower dollar volume traded. These decreases were partially offset by a lower rebate received in the first quarter of 2009 from NSCC due to NSCC s pricing reductions announced in 2008.

European Cash Equity Trading Revenues

European cash equity trading revenues include trading revenues from equity products traded on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic. European cash equity trading revenues decreased in the second quarter of 2009 and first six months of 2009 compared with the same periods in 2008, primarily due to a decrease in the value traded per day due to lower average market capitalization of stocks traded. The decrease in the first six months of 2009 was partially offset by the inclusion of European cash equity trading revenues for the full six-month period in 2009 compared to four months in 2008. In addition, foreign exchange negatively impacted European cash equity trading revenues by $7 million in the second quarter of 2009 and $10 million in the first six months of 2009.

Derivative Trading Revenues

U.S. derivative trading revenues less liquidity rebates, brokerage, clearance and exchange fees increased in the second quarter and first six months of 2009 compared with the same periods in 2008, primarily due to the inclusion of NASDAQ OMX PHLX s derivative trading revenues of $35 million in the second quarter of 2009 and $68 million in the first six months of 2009 along with increases in average daily contracts matched and routed on NASDAQ s trading systems.

European derivative trading revenues include trading and clearing revenues from derivative products traded on NASDAQ OMX Stockholm and derivative trading revenues from derivative products traded on NASDAQ OMX Copenhagen. European derivatives

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include revenues from NASDAQ OMX Commodities of $8 million in the second quarter of 2009 and $16 million in the first six months of 2009. However, foreign exchange negatively impacted European derivative trading revenues by $4 million in the second quarter of 2009 and $5 million in the first six months of 2009.

Access Services Revenues

Access services revenues increased in the second quarter and first six months of 2009 compared with the same periods in 2008. The increase was primarily due to the inclusion of NASDAQ OMX PHLX s revenues of $4 million in the second quarter of 2009 and $7 million in the first six months of 2009, as well as increases in customer demand for network connectivity and co-location services and increases in exchange and other membership fees.

Market Data

Market Data revenues decreased in the second quarter of 2009 compared with the same period in 2008. The decrease was due to a decrease in net U.S. tape plans revenues and a decrease in European market data products revenues. These decreases were partially offset by an increase in U.S. market data products revenues.

The decline in net U.S. tape plans revenues was primarily due to the decline in NASDAQ s trading and quoting market share of U.S. equities. European market data products revenues decreased primarily due to an unfavorable impact from foreign exchange of $5 million.

U.S. market data products revenues which are generated from the sale of NASDAQ OMX proprietary data products increased primarily due to growth of products such as the NASDAQ Global Index Data Service and other proprietary data products.

Market Data revenues increased in the first six months of 2009 compared with the same period in 2008. The increase was due to an increase in U.S. market data products and European market data products revenues, partially offset by a decrease in net U.S. tape plans revenues.

The increase in U.S. market data products revenues was primarily due to growth of products such as the NASDAQ Global Index Data Service and other proprietary data products.

European market data products revenues increased primarily due to the inclusion of European market data products revenues for the full six-month period in 2009 compared with four months in 2008, partially offset by an unfavorable impact from foreign exchange of $6 million.

The decline in net U.S. tape plans revenues was primarily due to the decline in NASDAQ s trading and quoting market share of U.S. equities.

ISSUER SERVICES

The following table shows revenues from our Issuer Services segment:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Percentage Change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percentage Change
	(in millions)			(in millions)		
Global Listing Services:						
Annual renewal fees	$ 29	$ 31	(6.5)%	$ 58	$ 62	(6.5)%
Listing of additional shares fees	9	10	(10.0)%	19	21	(9.5)%
Initial listing fees	5	6	(16.7)%	10	11	(9.1)%
Total U.S. listing fees	43	47	(8.5)%	87	94	(7.4)%
European listing fees	11	17	(35.3)%	22	23	(4.3)%
Corporate services	18	17	5.9%	33	31	6.5%
Total Global Listing Services	72	81	(11.1)%	142	148	(4.1)%
Global Index Group	10	11	(9.1)%	19	21	(9.5)%

Total Issuer Services revenues	$ 82	$ 92	(10.9)%	$ 161	$ 169	(4.7)%

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Global Listing Services

U.S. Listing Services Revenues

Annual renewal fees decreased in the second quarter and first six months of 2009 compared with the same periods in 2008, primarily due to a decrease in the number of listed companies on The NASDAQ Stock Market. The number of companies listed on The NASDAQ Stock Market on January 1, 2009 was 3,023, compared to 3,135 on January 1, 2008, the date on which listed companies are billed their annual fees. The decrease in the number of listed companies was due to 289 delistings by The NASDAQ Stock Market in 2008, partially offset by 177 new listings in 2008. The number of listed companies as of January 1, 2009 and 2008 also includes separately listed ETFs. Annual renewal fees are recognized ratably over a 12-month period.

Listing of additional shares fees decreased in the second quarter and first six months of 2009 compared with the same periods in 2008 as fewer companies have issued additional shares in the past year compared to prior years. Listing of additional shares fees are amortized on a straight-line basis over an estimated service period of four years.

Initial listing fees decreased slightly in the second quarter and first six months of 2009 compared with the same periods in 2008, primarily due to a decrease in the number of new listings. There were 18 new listings, including 3 new IPOs, during the second quarter of 2009 and 34 new listings, including 3 new IPOs, during the first six months of 2009 compared with 42 new listings, including 3 new IPOs, during the second quarter of 2008 and 90 new listings, including 10 new IPOs, during the first six months of 2008. The decrease in new listings during 2009 will impact future revenues as these fees are amortized on a straight-line basis over an estimated service period of six years.

European Listing Services Revenues

European Listing Services revenues decreased in the second quarter and first six months of 2009 compared with the same periods in 2008, primarily due to a decline in the market capitalization of Nordic issuers as well as a decrease in the number of listed companies from 847 as of June 30, 2008 to 808 as of June 30, 2009. In addition, foreign exchange negatively impacted European Listing Services revenues by $3 million in the second quarter of 2009 and $4 million in the first six months of 2009. Partially offsetting the decline in the first six months of 2009 was an increase in revenues due to the inclusion of European Listing Services revenues for the full six-month period in 2009 compared to four months in 2008. European Listing Services revenues are derived from annual fees received from listed companies on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, and are directly related to the listed companies market capitalization. These revenues are recognized ratably over a 12-month period.

Corporate Services Revenues

Global Listing Services revenues also include fees from Corporate Services. These fees include commission income from Carpenter Moore, subscription income from Shareholder.com and Directors Desk, fees from GlobeNewswire and revenues from Corporate Services Nordic. Corporate Services revenues increased in the second quarter and the first six months of 2009 compared with the same periods in 2008, primarily due to expanding customer utilization of our Corporate Services. In addition, the inclusion of Corporate Services Nordic for the full six-month period in 2009 compared with four months in 2008 contributed to the increase in the first six months of 2009.

Global Index Group Revenues

Global Index Group revenues primarily include license fees from NASDAQ OMX branded indexes, associated derivatives and financial products in the U.S. and abroad. Global Index Group revenues decreased in the second quarter and first six months of 2009 compared with the same periods in 2008, primarily due to a decrease in underlying assets associated with NASDAQ OMX-licensed ETFs and a decrease in licensed derivatives volumes.

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MARKET TECHNOLOGY

The following table shows revenues from our Market Technology segment:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Percentage Change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percentage Change
	(in millions)			(in millions)		
Market Technology:						
License, support and project revenues	$ 28	$ 33	(15.2)%	$ 49	$ 42	16.7%
Facility management services	7	9	(22.2)%	13	12	8.3%
Other revenues	1	1		3	1	#
Total Market Technology revenues	$ 36	$ 43	(16.3)%	$ 65	$ 55	18.2%

\# Denotes a variance greater than 100.0%.

Market Technology revenues decreased in the second quarter of 2009 compared with the same period in 2008, primarily due to an unfavorable impact of $10 million from foreign exchange. Market Technology revenues increased in the first six months of 2009 compared to the same period in 2008, primarily due to the inclusion of Market Technology revenues for the full six-month period in 2009 compared to four months in 2008, partially offset by an unfavorable impact of $13 million from foreign exchange.

Market Technology provides technology solutions for trading, clearing and settlement, and information dissemination, and also offers facility management integration and advisory services to marketplaces throughout the world.

License, support and project revenues are derived from the system solutions developed and sold by NASDAQ OMX. After we have developed and sold a system solution, the customer licenses the right to use the software. Each project involves individual adaptations to the specific requirements of the customer, such as those relating to functionality and capacity. When NASDAQ OMX provides a system solution, it undertakes to upgrade, develop and maintain the system and receives regular support revenues for this work which is recognized over the contract 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 the customization and significant modifications are complete and are then recognized over the support period. In addition, license, support and project revenues also include amortization of the deferred revenue related to our contribution of technology licenses to NASDAQ Dubai. See The combination with OMX AB and strategic partnership with Borse Dubai Limited, of Note 4, Acquisitions and Strategic Initiatives in 2008, to the condensed consolidated financial statements for further discussion of our transaction with Borse Dubai.

Facility management services revenues are derived when NASDAQ OMX assumes responsibility for the continuous operation of a system platform for a customer and receives facility management services revenues which can be both fixed and volume-based. Facility management services revenues are recognized as services are rendered over the contract period after delivery has occurred.

Other revenues include advisory services that are recognized in revenue when earned.

Expenses

Operating Expenses

The following table shows our operating expenses:

	Three Months Ended June 30,	Percentage Change	Six Months Ended June 30,	Percentage Change

	2009	2008		2009	2008	
	(in millions)			(in millions)		
Compensation and benefits	$ 105	$ 115	(8.7)%	$ 202	$ 189	6.9%
Marketing and advertising	3	4	(25.0)%	5	6	(16.7)%
Depreciation and amortization	27	22	22.7%	50	38	31.6%
Professional and contract services	17	23	(26.1)%	36	36	
Computer operations and data communications	14	17	(17.6)%	29	25	16.0%
Occupancy	18	17	5.9%	35	29	20.7%
Regulatory	10	7	42.9%	19	15	26.7%
Merger expenses	3	6	(50.0)%	11	7	57.1%
General, administrative and other	11	14	(21.4)%	24	25	(4.0)%
Total operating expenses	$ 208	$ 225	(7.6)%	$ 411	$ 370	11.1%

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Total operating expenses decreased $17 million in the second quarter of 2009 compared with the same period in 2008, reflecting a favorable impact from foreign exchange of $23 million, partially offset by an increase in operating expenses of $6 million primarily due to the inclusion of NASDAQ OMX PHLX s operating expenses. Total operating expenses increased $41 million in the first six months of 2009 compared to the same period in 2008, reflecting an increase in operating expenses of $74 million, partially offset by a favorable impact of $33 million from foreign exchange. The increase in operating expenses of $74 million was primarily due to the inclusion of OMX s operating expenses for the full six-month period in 2009 compared with four months in 2008 and the inclusion of NASDAQ OMX PHLX s operating expenses for the first six months of 2009. See below for further discussion.

Compensation and benefits expense decreased in the second quarter of 2009 compared with the same period in 2008, primarily due to foreign exchange which had a favorable impact of $11 million. Compensation and benefits expense increased in the first six months of 2009 compared to the same period in 2008, primarily due to the inclusion of OMX s compensation and benefits expense for the full six-month period in 2009 compared with four months in 2008 and the inclusion of NASDAQ OMX PHLX s compensation and benefits expense of $11 million in the first six months of 2009 as well as increased compensation and stock based compensation as a result of other recent acquisitions. Headcount increased to 2,345 employees at June 30, 2009 compared with 2,334 employees at June 30, 2008 due to additional headcount as a result of recent acquisitions. Partially offsetting the increase in compensation and benefits expense in the first six months of 2009 was a favorable impact of $16 million from foreign exchange.

Depreciation and amortization expense increased in the second quarter and first six months of 2009 compared with the same periods in 2008. The increase in the second quarter of 2009 was primarily due to the inclusion of NASDAQ OMX PHLX s depreciation and amortization expense of $4 million. The increase in the first six months of 2009 was primarily due to the inclusion of NASDAQ OMX PHLX s depreciation and amortization expense of $7 million in the first six months of 2009 and an increase of $3 million in OMX s depreciation and amortization expense reflecting OMX s results of operations for the full six-month period in 2009 compared with four months in 2008, partially offset by a favorable impact of $4 million from foreign exchange.

Professional and contract services expense decreased in the second quarter of 2009 compared with the same period in 2008, primarily due to decreases in technology related services through cost saving programs, as well as foreign exchange, which had a favorable impact of $2 million. Professional and contract services remained flat in the first six months of 2009 compared with the same period in 2008. An increase due to the inclusion of OMX s professional and contract services expense for the full six-month period in 2009 compared with four months in 2008 was offset by a favorable impact from foreign exchange.

Computer operations and data communications expense decreased in the second quarter of 2009 compared with the same period in 2008, primarily due to a decrease of $6 million in OMX s computer operations and data communications expense due to realized synergies and foreign exchange, which had a favorable impact of $1 million. The decrease in computer operations and data communications expense for the second quarter of 2009 was partially offset by the inclusion of NASDAQ OMX PHLX s computer operations and data communications expense of $2 million. Computer operations and data communications expense increased in the first six months of 2009 compared with the same period in 2008, primarily due to the inclusion of NASDAQ OMX PHLX s computer operations and data communications expense of $3 million.

Occupancy expense increased slightly in the second quarter of 2009 and increased $6 million in the first six months of 2009 compared with the same periods in 2008. The increase in the first six months of 2009 was primarily due to the inclusion of NASDAQ OMX PHLX s occupancy expense of $3 million and an increase of $2 million in OMX s occupancy expense reflecting the inclusion of OMX s results of operations for the full six-month period in 2009 compared with four months in 2008, partially offset by a favorable impact of $3 million from foreign exchange.

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Regulatory expense increased in the second quarter and first six months of 2009 compared with the same periods in 2008 primarily due to new regulatory fees from FINRA and an expansion of regulatory services to new markets. FINRA provides regulatory services to The NASDAQ Stock Market, The NASDAQ Options Market and, as of March 2009, the markets operated or regulated by NASDAQ OMX BX, including the regulation of trading activity and surveillance and investigative functions.

Merger expenses were $3 million in the second quarter of 2009 and $11 million for the first six months of 2009 compared with $6 million for the second quarter 2008 and $7 million for the first six months of 2008. These costs are directly attributable to the business combination with OMX AB and the acquisition of PHLX, but do not qualify as purchase accounting adjustments. The costs primarily include consulting and legal costs related to our integration of OMX AB and PHLX.

General, administrative and other expense decreased in the second quarter and first six months of 2009 compared with the same periods in 2008. The decrease in the second quarter of 2009 was primarily due to a decrease of $4 million in OMX s general, administrative and other expense due to foreign exchange which had a favorable impact of $4 million. In addition, we recognized a pre-tax gain of $1 million on the early extinguishment of debt, net of debt issuance and other costs in the second quarter of 2009. The decrease in the first six months of 2009 was primarily due to foreign exchange which had a favorable impact of $5 million and the recognition of pre-tax gains of $4 million on the early extinguishment of debt, net of debt issuance and other costs, partially offset by an increase in OMX s general, administrative and other expense reflecting the inclusion of OMX s results of operations for the full six-month period in 2009 compared with four months in 2008. See Early Extinguishment of Debt, of Note 8, Debt Obligations, to the condensed consolidated financial statements for further discussion of the early extinguishment of debt.

Non-operating Income and Expenses

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

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2009	2008		2009	2008	
	(in millions)			(in millions)		
Interest income	$ 2	$ 8	(75.0)%	$ 7	$ 18	(61.1)%
Interest expense	(25)	(24)	4.2%	(51)	(34)	50.0%
Net interest expense	(23)	(16)	43.8%	(44)	(16)	#
Dividend and investment income	1	3	(66.7)%	1	3	(66.7)%
Loss on sale of investment security	(5)		#	(5)		#
Income (loss) from unconsolidated investees, net	(18)	1	#	(20)	28	#
Gain on foreign currency contracts, net		5	#		40	#
Total non-operating income and (expenses)	$ (45)	$ (7)	#	$ (68)	$ 55	#

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

Interest Income

Interest income decreased in the second quarter and first six months of 2009 compared with the same periods in 2008, primarily due to lower interest rates and a lower average cash balance in the second quarter and first six months of 2009.

Interest Expense

Interest expense remained flat in the second quarter and increased in the first six months of 2009 compared with the same periods in 2008. The increase in the first six months of 2009 primarily reflects a full six-month period of interest expense in 2009 on our outstanding debt obligations related to the OMX AB business combination compared with four months of interest expense in 2008 and additional interest expense due to our outstanding debt obligations related to the acquisitions of PHLX and certain businesses of Nord Pool that were completed in the second half of

2008.

Dividend and Investment Income

Dividend and investment income decreased in the second quarter and first six months of 2009 compared with the same periods in 2008 primarily due to a decrease in the dividend per share received from our available-for-sale investment in Oslo.

Loss on Sale of Investment Security

In connection with our business combination of OMX AB, we acquired a long-term available-for-sale investment in Oslo which was accounted for in accordance with SFAS 115. During the second quarter of 2009, we made a strategic decision to sell this investment demonstrating our intent to no longer hold this investment and recorded a $5 million loss, which is net of costs directly related to the sale, primarily broker fees.

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Income (Loss) from Unconsolidated Investees, net

The net loss in the second quarter of 2009 of $18 million and the first six months of 2009 of $20 million was primarily due to a $19 million loss recorded in May 2009 related to the sale of our 25.25% share capital in Orc. The net income in the first six months of 2008 of $28 million primarily related to the NASDAQ Dubai transaction. We contributed intangible assets and $50 million in cash to NASDAQ Dubai in exchange for a 33 1/3% equity ownership in NASDAQ Dubai. One of the intangible assets contributed was the Nasdaq trade name, which had a zero carrying value on Nasdaq s books and records prior to the transfer. As a result, we recognized a $26 million gain for the difference between Nasdaq s carrying value and the fair value of the contributed asset on this non-monetary exchange.

Gain on Foreign Currency Contracts, net

In the second quarter of 2008, we recorded a gain of $5 million primarily related to gains on forward currency contracts used to economically hedge our Market Technology contracted revenue streams. In the first six months of 2008, we recorded a net gain of $40 million which relates to net gains on forward and option contracts entered into to hedge the foreign currency exposure on our business combination with OMX AB ($27 million), an unrealized gain on a forward contract entered into to hedge the NOK cash payment for the Nord Pool transaction ($8 million) and unrealized gains on forward currency contracts used to economically hedge our Market Technology contracted revenue streams ($5 million). See Derivatives Not Designated as Hedges, of Note 14, Derivative Financial Instruments and Hedging Activities, to the condensed consolidated financial statements for further discussion.

Income Taxes

NASDAQ OMX s income tax provision was $46 million in the second quarter of 2009 and $94 million in the first six months of 2009 compared with $47 million in the second quarter of 2008 and $122 million in the first six months of 2008. The overall effective tax rate was approximately 40% in the second quarter of 2009 and approximately 32% in the second quarter of 2008. The overall effective tax rate was approximately 37% in the first six months of 2009 and approximately 36% in the first six months of 2008. The higher effective tax rate in 2009 is primarily due to losses on the sale of our equity method investment in Orc and our available-for-sale investment in Oslo, which are not deductible for tax purposes in the local jurisdiction where these investments were held. Excluding the impact of these losses, the overall effective tax rate would have been approximately 33% in the second quarter of 2009 and approximately 34% in the first six months of 2009.

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

As previously discussed, we adopted FSP APB 14-1 on January 1, 2009 and have adjusted all periods presented to reflect the tax impact on the incremental interest expense, which resulted in a change in tax expense and current and non-current deferred tax liabilities. See FASB Staff Position APB No. 14-1, of Note 3, Recent Accounting Pronouncements and Adoption of FSP APB 14-1, of 2.50% Convertible Senior Notes, of Note 8, Debt Obligations, for further discussion.

We recognize and measure our unrecognized tax benefits in accordance with FIN 48. FIN 48 requires management to determine 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.

NASDAQ OMX and its eligible subsidiaries file a consolidated U.S. federal income tax return, and applicable state and local income tax returns and non-U.S. income tax returns. Federal income tax returns for years 2005-2007 are subject to examination by the Internal Revenue Service. Several state tax returns are currently under examination by the respective tax authorities for years 1996-1998 and 2000-2006 and we are subject to examination for 2007. Non-U.S. tax returns are subject to review by the respective tax authorities for years 2002-2008. We anticipate that the amount of unrecognized tax benefits at June 30, 2009 will significantly decrease in the next twelve months as we expect to settle certain tax audits. The final outcome of such audits cannot yet be determined. We anticipate that such adjustments would not have a material impact on our condensed consolidated financial position or results of operations.

In June 2009, NASDAQ OMX filed an application for an advance tax ruling with the Swedish Tax Council for Advanced Tax Rulings. The application was filed to confirm whether certain interest expense is deductible for Swedish tax purposes under legislation that became effective on January 1, 2009. We expect to receive a favorable response from the Swedish Tax Council for Advance Tax Rulings by our fiscal year end 2009. We recorded the Swedish tax benefit as described above in our condensed consolidated financial statements. In the second quarter of

2009, we recorded a tax benefit of $5 million, or $.02 per diluted share. For the first six months of 2009, we recorded a tax benefit of $9 million, or $.04 per diluted share. We expect to record recurring quarterly tax benefits of $4 million to $5 million with respect to this issue for the foreseeable future.

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Liquidity and Capital Resources

Recent global market and economic conditions have been, and continue to be, disruptive and volatile, having an adverse impact on financial markets in general. As a result of concern about the stability of the markets and the strength of counterparties, many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers resulting in severely diminished liquidity and credit availability. At this time, the extent to which these conditions will persist is unclear. To date, our cost and availability of funding has not been adversely affected by illiquid credit markets and we do not expect it to be materially impacted in the near future.

We require cash to pay our operating expenses, make capital expenditures and service our debt and other long-term liabilities. Our principal source of funds is cash from our operations. In addition, we have obtained funds by selling our common stock in the capital markets. In order to finance our business combination with OMX AB, our acquisition of PHLX and the Nord Pool transaction, we have incurred additional debt and issued shares of our common stock. See Note 8, Debt Obligations, to the condensed consolidated financial statements for further discussion of our debt obligations.

In the near term, we expect that our operations will provide sufficient cash to fund our operating expenses, capital expenditures and interest payments on our debt. As of June 30, 2009, our cash and cash equivalents of $419 million was primarily invested in money market funds. In the long-term, we may use both internally generated funds and external sources to satisfy our debt and other long-term liabilities.

Principal factors that could affect the availability of our internally-generated funds include:

- deterioration of our revenues in any of our business segments;
- changes in our working capital requirements; and
- an increase in our expenses.

Principal factors that could affect our ability to obtain cash from external sources include:

- financial covenants contained in our Credit Facilities that limit our total borrowing capacity;
- increases in interest rates applicable to our floating rate term debt;
- credit rating downgrades, which could limit our access to additional debt;
- a decrease in the market price of our common stock; and
- volatility in the public debt and equity markets, especially the recent seize up of the credit markets.

The following sections discuss the effects of changes in our cash flows, capital requirements and other commitments on our liquidity and capital resources.

Cash and Cash Equivalents and Changes in Cash Flows

Cash and cash equivalents include cash in banks and all non-restricted highly liquid investments with original maturities of three months or less at the time of purchase. Restricted cash, which was $152 million as of June 30, 2009 and $141 million as of December 31, 2008, is not available for general use by us due to regulatory and other requirements and is classified as restricted cash in the Condensed Consolidated Balance Sheets. Non-current restricted cash, which was $50 million at both June 30, 2009 and December 31, 2008, relates to a deposit to the guarantee fund of IDCG and is classified as non-current restricted cash in the Condensed Consolidated Balance Sheets.

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The following tables summarize our cash and cash equivalents and changes in cash flows:

	June 30, 2009	December 31, 2008	Percentage Change
	(in millions)		
Cash and cash equivalents [1]	$ 419	$ 374	12.0%

(1) Cash and cash equivalents exclude restricted cash which is not available for general use by us due to regulatory and other requirements.

	Six Months Ended June 30, 2009	2008	Percentage Change
	(in millions)		
Cash provided by operating activities	$ 224	$ 220	1.8%
Cash provided by (used in) investing activities	19	(1,988)	#
Cash provided by (used in) financing activities	(211)	1,130	#
Effect of exchange rate changes on cash and cash equivalents	13	9	44.4%

\# Denotes a variance greater than 100.0%.

Cash and cash equivalents. Cash and cash equivalents increased $45 million from December 31, 2008 primarily due to proceeds from sales of investments, collections of Global Listing Services annual billings and other positive cash flows from operating activities. These increases were partially offset by payments of outstanding debt obligations, purchases of trading securities and payment of accrued personnel costs.

Changes in Cash Flows

Cash provided by operating activities. The following items impacted our cash provided by operating activities for the six months ended June 30, 2009:

Net income attributable to NASDAQ OMX of $163 million, plus:

Non-cash items of $53 million comprised primarily of depreciation and amortization of $50 million, loss from unconsolidated investees, net of $20 million and share-based compensation of $17 million, partially offset by deferred taxes, net of $35 million.

Increase in deferred revenue of $80 million mainly due to Global Listing Services annual billings.

Increase in Section 31 fees payable to SEC of $64 million primarily due to a six month accrual included in the June 2009 balance compared to a four month accrual included in the December 2008 balance. Payments are made twice a year in March (for the four month period September through December of the prior year) and in September (for the eight month period January through August of the current year) of each year. The increase is also due to an increase in Section 31 fee rates.

Partially offset by a:

- Decrease in accrued personnel costs of $65 million primarily due to payment of 2008 incentive compensation in the first quarter of 2009, partially offset by the 2009 accrual.

- Increase in receivables, net of $49 million primarily due to an increase in income tax receivable, reflecting quarterly estimates paid in excess of the current liability owed, as well as an increase in Market Services receivables as a result of an increase in Section 31 fees receivable due to a rate fee increase.

- Decrease in other accrued liabilities of $46 million primarily due to decreases in accrued taxes as a result of payments made.

During the six months ended June 30, 2008, the following items impacted our cash provided by operating activities:

Net income attributable to NASDAQ OMX of $220 million, plus:

- Increase in deferred revenue of $49 million mainly due to Global Listing Services annual billings.

- Increase in accounts payable and accrued expenses and other accrued liabilities of $50 million primarily due to additional rebates payable as a result of increases in market share, as well as an increase in interest payable on our credit facilities.

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Partially offset by:

Non-cash items of approximately $57 million comprised primarily of the gain on foreign currency contracts, net of $40 million, deferred taxes, net of $39 million and income from unconsolidated investees, net of $28 million, partially offset by depreciation and amortization of $38 million and share-based compensation of $12 million.

Increase in other assets of $42 million due to the increase in the restricted cash balance as of June 30, 2008.

We expect that cash provided by operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, accounts receivable collections, share-based compensation and the timing and amount of other payments that we make.

Cash provided by (used in) investing activities. Cash provided by investing activities for the six months ended June 30, 2009 is primarily due to cash received from sales and redemptions of trading securities and our available-for-sale investment in Oslo, as well as cash received from the sale of our 25.25% equity method investment in Orc. Partially offsetting cash received, was cash used in connection with the purchase of trading securities, as well as purchases of property and equipment. In the first six months of 2008, cash used in investing activities primarily related to our business combination with OMX AB, net of cash acquired, as well as the acquisition of 33 $^{1}/3$% of the equity of NASDAQ Dubai and the equity interest in Agora-X, for total cash paid of $1,981 million.

Cash provided by (used in) financing activities. Cash used in financing activities in the first six months of 2009 consisted of $113 million in principal payments made on our Term Loan Facility and a $71 million payment to repay in full the vendor note issued to the previous owners of Nord Pool in connection with the acquisition of certain businesses of Nord Pool. In addition, we repurchased $47 million principal amount of our 2.50% convertible senior notes for a cash payment of $40 million and recognized a pre-tax gain of $4 million, net of debt issuance and other costs. We also made a $4 million payment on our other credit facilities in the first six months of 2009. In the first six months of 2008, cash provided by financing activities consisted of the proceeds from the issuance of $475 million aggregate principal amount of 2.50% convertible senior notes and $1,050 million in senior secured indebtedness under our Credit Facilities. See Credit Facilities below for further discussion. The 2008 proceeds from the 2.50% convertible senior notes and new credit facilities were partially offset by the refinancing of $353 million of OMX AB outstanding debt obligations at the time of the business combination.

Capital Resources and Working Capital

Working capital (calculated as current assets less current liabilities) was $429 million at June 30, 2009, compared with $351 million at December 31, 2008, an increase of $78 million, or 22.2%. We have historically been able to generate sufficient funds from operations to meet working capital requirements. At June 30, 2009, we had total contractual debt obligations of $2,375 million, of which $225 million is due within one year. See below for further discussion.

At June 30, 2009, none of our lenders were affiliated with NASDAQ OMX, except to the extent, if any, that SLP would be deemed an affiliate of NASDAQ OMX due to its ownership of $119 million aggregate principal amount of the 3.75% convertible notes and shares of our common stock and representation on our board of directors.

3.75% Convertible Notes due 2012

As of June 30, 2009, approximately $120 million in aggregate principal amount of the 3.75% convertible notes due 2012 remained outstanding, of which $119 million was owned by SLP.

2.50% Convertible Senior Notes due 2013

In 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 2013. In 2009, we repurchased $47 million principal amount of the notes for a cash payment of $40 million. For the first six months of 2009, we recognized a pre-tax gain on the early extinguishment of debt of $4 million, net of debt issuance and other costs of $0.8 million. These gains were recorded in general, administrative and other expense in the Condensed Consolidated Statements of Income. The aggregate principal amount outstanding on these notes as of December 31, 2008 was $475 million. As a result of the repurchase, the remaining aggregate principal amount outstanding on these notes as of June 30, 2009 was $428 million. It is our intent and policy to settle the principal amount of the notes in cash and we are permitted to settle the conversion premium in shares of our common stock or cash.

Credit Facilities

In the first quarter of 2008, we entered into the Credit Facilities to finance the business combination with OMX AB, the acquisition of PHLX and the Nord Pool transaction. The Credit Facilities provide for up to $2,075 million of debt financing, which includes (i) a five-year, $2,000 million senior secured term loan facility which consists of (a) a $1,050 million term loan facility allocated to the OMX AB business combination, (b) a $650 million term loan facility allocated to our acquisition of PHLX and (c) a $300 million term loan facility allocated to fund the Nord Pool transaction and (ii) a five-year, $75 million senior secured revolving credit facility. At June 30, 2009 and December 31, 2008, the revolving credit facility was unused. Total debt obligations outstanding under the Credit Facilities were $1,812 million at June 30, 2009 and $1,925 million at December 31, 2008.

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Under the provisions of our Credit Facilities, we are required to maintain approximately 30% of our debt structure on a fixed rate basis for two years from the date of the credit agreement. As such, in August 2008, we entered into interest rate swap agreements that effectively converted $200 million of funds borrowed under our Credit Facilities, which is floating rate debt, to a fixed rate basis through August 2011. The interest rate swap was fixed to a base rate of 3.73% plus the current credit spread of 200 basis points as of June 30, 2009. The credit spread (not to exceed 200 basis points) is subject to change based upon the leverage ratio in accordance with the Credit Facilities. See Cash Flow Hedges, of Note 14, Derivative Financial Instruments and Hedging Activities, to the condensed consolidated financial statements for further discussion.

We have other credit facilities related to our clearinghouses in order to meet liquidity and regulatory requirements. These credit facilities, which are available in multiple currencies, primarily Swedish Krona and U.S. dollar, totaled $501 million ($238 which is available to be pledged as collateral and $263 to satisfy regulatory requirements), of which $0.4 million was drawn at June 30, 2009. At December 31, 2008 these facilities totaled $246 million, of which $4 million was drawn. Amounts drawn were included in other accrued liabilities in the Condensed Consolidated Balance Sheets.

At June 30, 2009, we were in compliance with the covenants of all of our debt obligations.

See Note 8, Debt Obligations, to the condensed consolidated financial statements for further discussion of our 3.75% convertible notes, 2.50% convertible senior notes and Credit Facilities.

Broker-Dealer Net Capital Requirements

Our broker-dealer subsidiaries, Nasdaq Execution Services and NASDAQ Options Services, are subject to regulatory requirements intended to ensure their general financial soundness and liquidity, which require that they comply with minimum capital requirements. At June 30, 2009, Nasdaq Execution Services was required to maintain minimum net capital of $0.3 million and had total net capital of approximately $1.4 million or $1.1 million in excess of the minimum amount required. At June 30, 2009, NASDAQ Options Services was also required to maintain minimum net capital of $0.3 million and had total net capital of approximately $4.8 million or $4.5 million in excess of the minimum amount required.

Other Capital Requirements

NASDAQ Options Services is also required to maintain a $2 million minimum level of net capital under our clearing arrangement with The Options Clearing Corporation, or OCC.

Derivative Clearing Operations Regulatory Capital Requirements

We are required to maintain minimum levels of regulatory capital for our clearing operations for NASDAQ OMX Stockholm, NASDAQ OMX Commodities and IDCG. The level of regulatory capital required to be maintained is dependent upon many factors including market conditions and creditworthiness of the counterparty. At June 30, 2009, we were required to maintain regulatory capital of $278 million which is comprised of:

- $108 million of restricted cash;
- $ 50 million of non-current restricted cash; and
- $120 million primarily in Swedish government debt securities. These securities are included in financial investments, at fair value in the Condensed Consolidated Balance Sheets as of June 30, 2009.

In addition, we have available credit facilities of $263 million which can be utilized to satisfy our regulatory capital requirements.

OMX AB Share Purchase

On August 27, 2008, through compulsory acquisition procedures under Swedish law, NASDAQ OMX received advanced title for the remaining 1.2% of OMX AB shares held by OMX AB shareholders for an aggregate consideration of SEK 370.8 million ($61.7 million at August 27, 2008). As a result of the compulsory acquisition procedures, OMX AB is now wholly-owned by NASDAQ OMX. The additional purchase price for the shares acquired was included in other liabilities in the Condensed Consolidated Balance Sheets as of December 31, 2008. In accordance with the compulsory acquisition procedures, NASDAQ OMX was required to maintain cash amounts greater than the total amount due, and as such, segregated SEK 440 million ($73.2 million as of August 27, 2008) in other assets in the Condensed Consolidated Balance Sheets as of December 31, 2008. In February 2009, NASDAQ OMX paid the full liability of SEK 370.8 million ($41 million at February 28, 2009) plus interest to holders of the remaining 1.2% of OMX AB shares.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a result of our operating and financing activities, we are exposed to market risks such as interest rate risk, foreign currency exchange rate risk, equity risk and credit risk.

We have implemented policies and procedures to measure, manage, monitor and report risk exposures, which are reviewed regularly by management and the board of directors. We identify risk exposures and monitor and manage such risks on a daily basis.

We perform sensitivity analyses to determine the effects that market risk exposures may have. We may use derivative instruments solely to hedge financial risks related to our financial positions or risks that are incurred during the normal course of business. We do not use derivative instruments for speculative purposes.

Interest Rate Risk

The majority of our financial assets and liabilities are based on floating rates and fixed rates with an outstanding maturity or reset date falling in less than one year. The following table summarizes our significant exposure to interest rate risk as of June 30, 2009:

	Financial Assets	Financial Liabilities[2]	Negative impact of a 100 bp adverse shift in interest rate[3]
		(in millions)	
Floating rate positions[1]	$ 632	$ 1,612	$ 17
Fixed rate positions[4][5]	236	763	2
Total	$ 868	$ 2,375	$ 19

(1) Includes floating rate and fixed interest rates with a maturity or reset date due within 12 months.

(2) Represents total contractual debt obligations.

(3) Annualized impact of a 100 basis point parallel adverse shift in the yield curve.

(4) Financial assets primarily consist of our Swedish government debt securities, which are classified as trading investment securities, with an average duration of 0.3 years. See Note 13, Fair Value of Financial Instruments, to the condensed consolidated financial statements for further discussion.

(5) Financial liabilities include $200 million of our Credit Facilities which were swapped to fixed rate using float-to-fixed interest rate swaps in the third quarter of 2008. See Interest Rate Swaps, of Note 8, Debt Obligations, and Cash Flow Hedges, of Note 14, Derivative Financial Instruments and Hedging Activities, to the condensed consolidated financial statements for further discussion.

We are exposed to cash flow risk on floating rate positions. When interest rates on financial assets of floating rate positions decrease, net interest income decreases. When interest rates on financial liabilities of floating rate positions increase, net interest income decreases. Based on June 30, 2009 positions, each 1.0% change in interest rates on our net floating rate positions would impact annual pre-tax income by $17 million in total as reflected in the table above.

We are exposed to price risk on our fixed rate financial investments which total $236 million. At June 30, 2009, these fixed rate positions have an average outstanding maturity or reset date falling in more than one year. A shift of 1.0% of the interest rate curve would in aggregate impact the fair value of these positions by approximately $1 million. The average duration of the portfolio was 0.3 years. The net effect of such a yield curve shift, taking into account the change in fair value and the increase in interest income, would impact annual pre-tax income negatively by $2 million.

Foreign Currency Exchange Risk

As an international company, we are subject to currency translation risk. For the three months ended June 30, 2009, approximately 34% of our revenues less liquidity rebates, brokerage, clearance and exchange fees and 26% of our operating income are derived in currencies other than the U.S. dollar, primarily the Swedish Krona and Euro. For the six months ended June 30, 2009, approximately 33% of our revenues less liquidity rebates, brokerage, clearance and exchange fees and 22% of our operating income are derived in currencies other than the U.S. dollar, primarily the Swedish Krona and Euro.

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Our primary exposure to foreign denominated revenues less liquidity rebates, brokerage, clearance and exchange fees and operating income for the second quarter of 2009 is presented in the following table:

	Swedish Krona	Euro	Other Foreign Currencies
	(in millions, except currency rate)		
Average foreign currency rate to the U.S. dollar in the second quarter of 2009	0.1265	1.3631	#
Percentage of revenues less liquidity rebates, brokerage, clearance and exchange fees	21%	4%	9%
Percentage of operating income	17%	6%	3%
Impact of a 10% adverse currency fluctuation on revenues less liquidity rebates, brokerage, clearance and exchange fees	$ (8)	$ (2)	$ (3)
Impact of a 10% adverse currency fluctuation on operating income	$ (3)	$ (1)	$

\# Represents multiple foreign currency rates.

Our primary exposure to foreign denominated revenues less liquidity rebates, brokerage, clearance and exchange fees and operating income for the six months ended June 30, 2009 is presented in the following table:

	Swedish Krona	Euro	Other Foreign Currencies
	(in millions, except currency rate)		
Average foreign currency rate to the U.S. dollar in first six months of 2009	0.1229	1.3343	#
Percentage of revenues less liquidity rebates, brokerage, clearance and exchange fees	20%	4%	9%
Percentage of operating income	13%	6%	3%
Impact of a 10% adverse currency fluctuation on revenues less liquidity rebates, brokerage, clearance and exchange fees	$ (14)	$ (3)	$ (7)
Impact of a 10% adverse currency fluctuation on operating income	$ (4)	$ (2)	$ (1)

\# Represents multiple foreign currency rates.

Equity Risk

Our investments in foreign subsidiaries are exposed to volatility in currency exchange rates through translation of the foreign subsidiaries net assets or equity to U.S. dollars. Our primary exposure to this equity risk as of June 30, 2009 is presented by foreign currency in the following table:

	Net Investment	Impact on Consolidated Equity of a 10% Decrease in Foreign Currency
	(millions of dollars)	
Swedish Krona	$ 242	$ 24
Euro	170	17

Norwegian Krone	112	11
Danish Krone	86	9

Credit Risk

We are exposed to credit risk from third parties, including customers, counterparties and clearing agents. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. We limit our exposure to credit risk by rigorously selecting the counterparties with which we make investments and execute agreements. The financial investment portfolio objective is to invest in securities to preserve principal while maximizing yields, without significantly increasing risk. Credit risk associated with investments is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other creditworthy counterparties.

Our subsidiaries Nasdaq Execution Services and NASDAQ Options Services may be exposed to credit risk, due to the default of trading counterparties, in connection with the clearing and routing services that Nasdaq Execution Services and NASDAQ Options Services provide for our trading customers. System trades in equities routed to other market centers for members of The NASDAQ Stock Market are cleared by Nasdaq Execution Services, as a member of the NSCC. System trades in derivative contracts executed in the opening and closing cross and trades routed to other market centers are cleared by NASDAQ Options Services, as a member of the OCC.

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Pursuant to the rules of the NSCC and Nasdaq Execution Services clearing agreement, Nasdaq Execution Services is liable for any losses incurred due to a counterparty or a clearing agent s failure to satisfy its contractual obligations, either by making payment or delivering securities. Pursuant to the rules of the OCC and NASDAQ Options Services clearing agreement, NASDAQ Options Services is also liable for any losses incurred due to a counterparty or a clearing agent s failure to satisfy its contractual obligations, either by making payment or delivering securities. Adverse movements in the prices of securities and derivative contracts that are subject to these transactions can increase our credit risk. However, we believe that the risk of material loss is limited, as Nasdaq Execution Services and NASDAQ Options Services customers are not permitted to trade on margin and NSCC and OCC rules limit counterparty risk on self-cleared transactions by establishing credit limits and capital deposit requirements for all brokers that clear with NSCC and OCC. Both Nasdaq Execution Services and NASDAQ Options Services have never incurred a liability due to a customer s failure to satisfy its contractual obligations as counterparty to a system trade. Credit difficulties or insolvency or the perceived possibility of credit difficulties or insolvency of one or more larger or visible market participants could also result in market-wide credit difficulties or other market disruptions.

Through our clearing operations in the derivative markets with NASDAQ OMX Commodities, NASDAQ OMX Stockholm and IDCG, we are the legal counterparty for each derivative position traded and thereby guarantee the fulfillment of each contract. We are required to pledge collateral for commitments with other clearinghouses. The amount of these commitments is calculated on the gross exposure between the clearinghouses. As collateral for these obligations, we have obtained financial guarantees and credit facilities which are guaranteed by us through counter indemnities. At June 30, 2009, financial guarantees pledged as collateral totaled $397 million and available credit facilities totaled $238 million, of which $0.4 million was utilized. In addition, we obtained credit facilities totaling $263 million in order to satisfy regulatory requirements, none of which has been utilized as of June 30, 2009.

We require our customers to pledge collateral and meet certain minimum financial standards to mitigate the risk if they become unable to satisfy their obligations. At June 30, 2009, total customer pledged collateral with NASDAQ OMX Commodities and NASDAQ OMX Stockholm was $6.0 billion. This pledged collateral is held by a custodian bank. Since these funds are not held by NASDAQ OMX Commodities and NASDAQ OMX Stockholm and they are not available for our use, we do not receive any interest income on these funds. Customer pledged cash collateral held by IDCG was $3 million at June 30, 2009 and is included in restricted cash with an offsetting liability included in other accrued liabilities in the Condensed Consolidated Balance Sheets, as the risks and rewards of collateral ownership, including interest, belongs to IDCG. Non-cash margin and guaranty fund deposits pledged to IDCG are not reflected in the Condensed Consolidated Balance Sheets as IDCG does not take legal ownership.

We believe that the potential for us to be required to make payments under these arrangements is mitigated through the pledged collateral, our risk management policies and, in the case of NASDAQ OMX Commodities, a default insurance policy. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for these arrangements.

We also have credit risk related to transaction fees that are billed to customers on a monthly basis, in arrears. Our potential exposure to credit losses on these transactions is represented by the receivable balances in our Condensed Consolidated Balance Sheets. Our customers are financial institutions whose ability to satisfy their contractual obligations may be impacted by volatile securities markets.

On an ongoing basis we review and evaluate changes in the status of our counterparty s creditworthiness. Credit losses such as those described above could adversely affect our consolidated financial position and results of operations.

Contractual Obligations and Contingent Commitments

NASDAQ OMX has contractual obligations to make future payments under debt obligations by contract maturity, minimum rental commitments under non-cancelable operating leases, net and other obligations. The following table shows these contractual obligations:

		Payments Due by Period			
Contractual Obligations	**Total**	**Remainder of 2009**	**2010-2011**	**2012-2013**	**2014-thereafter**
			(in millions)		
Debt obligations by contract maturity (See Note 8, Debt Obligations (1))	$ 2,563	$ 145	$ 991	$ 1,409	$ 18
Minimum rental commitments under non-cancelable operating leases, net	559	39	166	118	236
Other obligations	19	7	12		

Total	$ 3,141	$ 191	$ 1,169	$ 1,527	$ 254

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(1) Our debt obligations include both principal and interest obligations. The interest on our Credit Facilities reflects the net interest payment after consideration of interest rate swap agreements that effectively converted $200 million of our Credit Facility to fixed rate debt. See Note 8, Debt Obligations, to the condensed consolidated financial statements for further discussion. A weighted-average interest rate of 2.69% at June 30, 2009 was used to compute the amount of the contractual obligations for interest on our Credit Facilities. For our 3.75% convertible notes, the contractual obligation for interest was calculated on a 360 day basis at the contractual fixed rate of 3.75% multiplied by the remaining aggregate principal amount of $120 million at June 30, 2009. The 2.50% convertible senior notes contractual obligation for interest was calculated on a 360 day basis at the contractual fixed rate of 2.50% multiplied by the aggregate principal amount of $428 million at June 30, 2009.

Off-Balance Sheet Arrangements

Brokerage Activities

In accordance with FIN 45, Nasdaq Execution Services and NASDAQ Options Services provide guarantees to securities clearinghouses and exchanges under their standard membership agreements, which require members to guarantee the performance of other members. If a member becomes unable to satisfy its obligations to the clearinghouses, other members would be required to meet its shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral as well as meet certain minimum financial standards. Nasdaq Execution Services and NASDAQ Options Services maximum potential liability under these arrangements cannot be quantified. However, we believe that the potential for Nasdaq Execution Services and NASDAQ Options Services to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for these arrangements.

Obligations Under Guarantee

NASDAQ OMX guarantees the obligations of The NASDAQ Stock Market LLC under the 3.75% convertible notes due October 22, 2012 and the related indenture.

Guarantees Issued, Credit Facilities Available and Collateral Received for Clearing Operations

Through our clearing operations in the derivative markets of NASDAQ OMX Commodities, NASDAQ OMX Stockholm and IDCG, we are the legal counterparty for each derivative position traded and thereby guarantee the fulfillment of each contract. We are required to pledge collateral for commitments with other clearinghouses. The amount of these commitments is calculated on the gross exposure between the clearinghouses. As collateral for these obligations, we have obtained financial guarantees and credit facilities which are guaranteed by us through counter indemnities. At June 30, 2009, financial guarantees pledged as collateral totaled $397 million. Credit facilities available to be pledged as collateral totaled $238 million, of which $0.4 million was utilized.

In addition, we obtained credit facilities to satisfy regulatory requirements totaling $263 million, none of which has been utilized as of June 30, 2009.

We require our customers to pledge collateral and meet certain minimum financial standards to mitigate the risk if they become unable to satisfy their obligations. At June 30, 2009, total customer pledged collateral with NASDAQ OMX Commodities and NASDAQ OMX Stockholm was $6.0 billion. This pledged collateral is held by a custodian bank. Since these funds are not held by NASDAQ OMX Commodities and NASDAQ OMX Stockholm and they are not available for our use, we do not receive any interest income on these funds. Customer pledged cash collateral held by IDCG was $3 million at June 30, 2009 and is included in restricted cash with an offsetting liability included in other accrued liabilities in the Condensed Consolidated Balance Sheets, as the risks and rewards of collateral ownership, including interest, belongs to IDCG. Non-cash margin and guaranty fund deposits pledged to IDCG are not reflected in the Condensed Consolidated Balance Sheets as IDCG does not take legal ownership.

We believe that the potential for us to be required to make payments under these arrangements is mitigated through the pledged collateral, our risk management policies and, in the case of NASDAQ OMX Commodities, a default insurance policy. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for these arrangements.

Other Guarantees

We have provided other guarantees as of June 30, 2009 of $46 million, primarily related to obligations for our rental and leasing contracts. We have received financial guarantees from various financial institutions to support these guarantees.

Item 4. Controls and Procedures.

(a). ***Disclosure controls and procedures.*** NASDAQ OMX s management, with the participation of NASDAQ OMX s Chief Executive Officer and Executive Vice President and Chief Financial Officer, has evaluated the effectiveness of NASDAQ OMX s disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this report. Based upon that evaluation, NASDAQ OMX s Chief Executive Officer and Executive Vice President and Chief Financial Officer have concluded that, as of the end of such period, NASDAQ OMX s disclosure controls and procedures are effective.

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(b). ***Internal controls over financial reporting.*** There have been no changes in NASDAQ OMX s internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, NASDAQ OMX s internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 as filed with the SEC on February 27, 2009. These risks could materially and adversely affect our business, financial condition and results of operations. The risks and uncertainties in our Form 10-K are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Repurchases made in the fiscal quarter ended June 30, 2009 (in whole number of shares):

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 2009	8,404	$ 19.81		
May 2009	380	19.59		
June 2009	426	21.68		
Total	9,210	$ 19.89		

The shares repurchased during the second quarter of 2009 were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock grants.

Item 3. Defaults upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

At our annual meeting of stockholders on May 20, 2009, the following matters set forth in our Proxy Statement dated April 3, 2009, which was filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, were voted upon with the results indicated below.

1. The nominees listed below were elected directors for one-year terms with the respective votes set forth opposite their names.

	For	Withheld
Soud Ba alawy	136,871,829	1,714,260
Urban Bäckström	136,907,817	1,678,272
H. Furlong Baldwin	133,059,053	5,527,036
Michael Casey	133,833,020	4,753,069
Lon Gorman	135,948,207	2,637,882
Robert Greifeld	136,901,701	1,684,388
Glenn H. Hutchins	130,937,688	7,648,401
Birgitta Kantola	136,898,483	1,687,606
Essa Kazim	136,883,338	1,702,751
John D. Markese	135,346,720	3,239,369
Hans Munk Nielsen	136,000,748	2,585,341
Thomas F. O Neill	136,875,594	1,710,495
James S. Riepe	136,851,194	1,734,895
Michael R. Splinter	136,872,926	1,713,163
Lars Wedenborn	136,909,013	1,677,076
Deborah L. Wince-Smith	136,002,262	2,583,827

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2. A proposal seeking ratification of the appointment of Ernst & Young LLP as NASDAQ OMX s independent registered public accounting firm for the fiscal year ending December 31, 2009, was approved, with 136,736,944 votes cast for, 1,748,124 votes cast against, and 101,021 abstentions.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits required by this item are listed on the Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	The NASDAQ OMX Group, Inc. (Registrant)	
Date: August 7, 2009	By:	/s/ ROBERT GREIFELD
	Name:	**Robert Greifeld**
	Title:	***Chief Executive Officer***
Date: August 7, 2009	By:	/s/ DAVID P. WARREN
	Name:	**David P. Warren**
	Title:	***Executive Vice President and Chief Financial Officer***

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Exhibit Number	
3.1	Restated Certificate of Incorporation of The NASDAQ OMX Group, Inc., filed on May 11, 2009.
10.1	Form of NASDAQ OMX Restricted Stock Unit Award Agreement (directors).*
10.2	2009 Performance Share Unit Agreement, dated as of June 22, 2009, between NASDAQ OMX and Robert Greifeld.*
11	Statement regarding computation of per share earnings (incorporated herein by reference from Note 12 to the condensed consolidated financial statements under Part I, Item 1 of this Form 10-Q).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley).
31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley.
32.1	Certifications Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley.

* Management contract or compensatory plan or arrangement.

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