NASDAQ, INC.
Form 10-Q
August 03, 2016
Table Of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from to

Commission file number: 000-32651

Nasdaq, Inc.

(Exact name of registrant as specified in its charter)

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

+1 212 401 8700

(Registrant's telephone number, including area code)

No changes

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

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

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

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

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

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

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

Class	Outstanding at July 27, 2016
Common Stock, $.01 par value per share	165,453,714 shares

Table Of Contents

Nasdaq, Inc.

Form 10-Q

For the Quarterly Period Ended June 30, 2016

INDEX

Table Of Contents

About This Form 10-Q

Throughout this Form 10-Q, unless otherwise specified:

•“Nasdaq,” “we,” “us” and “our” refer to Nasdaq, Inc.

•“The NASDAQ Stock Market” and “NASDAQ” refer to the registered national securities exchange operated by The NASDAQ Stock Market LLC.

•“Nasdaq Nordic” refers to collectively, Nasdaq Clearing AB, Nasdaq Stockholm AB, Nasdaq Copenhagen A/S, Nasdaq Helsinki Ltd, and Nasdaq Iceland hf.

•“Nasdaq Baltic” refers to collectively, Nasdaq Tallinn AS, Nasdaq Riga, AS, and AB Nasdaq Vilnius.

•“Nasdaq Clearing” refers to the clearing operations conducted by Nasdaq Clearing AB.

* * * * * *

The following is a non-exclusive list of registered trademarks, registered service marks, or trademarks or service marks of Nasdaq or its subsidiaries, in the United States and/or other countries or jurisdictions:

@TRADE®, AT-TRADE®, AGGREGATION, TRANSPARENCY, CONTROL®, AUTO WORKUP®, AXE®, BWISE®, BWISE BUSINESS IN CONTROL®, BWISE RAPID DEPLOYMENT SOLUTION®, BX VENTURE MARKET®, CANADIAN DIVIDEND ACHIEVERS®, CCBN®, CCN®, CCNMATTHEWS®, CLICK XT®, CONDICO®, D.A.L.I.®, DATAXPRESS®, DEFENSE OF INTERNATIONAL MARKETS AND EXCHANGES SYMPOSIUM®, DIMES®, DIRECTORS DESK®, DIRECTORSDESK®, DIVIDEND ACHIEVERS®, DORSEY WRIGHT®, DREAM IT. DO IT.®, DWA MATRIX®, DWA®, DX®, E-SPEED®, EQQQ®, ESPEED & KATAKANA®, ESPEED EXCHANGE®, ESPEED®, ESPEEDOMETER®, EXACTEQUITY®, EXIGO®, FINQLOUD REGULATORY RECORDS RETENTION®, FINQLOUD®, FIRST NORTH®, FONDSBØRSEN®, FTEN®, GENIUM®, GIDS®, GLOBE NEWSWIRE®, IGNITE YOUR AMBITION®, INET®, INVESTOR WORLD®, IPOWORLD®, ISSUERWORLD®, ITCH®, KLEOS®, LIQUIDITYXPRESS®, MARKET INTELLIGENCE DESK®, MARKET LINQUIDITY®, MARKET MECHANICS®, MARKETSITE®, MARKETWIRE BEYOND WORDS®, MARKETWIRE RESONATE®, MARKETWIRE®, MARKETWIRED RESONATE®, MARKETWIRED®, MY CCBN®, MYMEDIAINFO®, N LOGO (BLACK AND WHITE)®, N LOGO (BLUE ON WHITE)(STYLIZED "N" IN RIBBON FORM)®, N NASDAQ LOGO (BLACK AND WHITE)®, N NASDAQ LOGO (BLUE AND SILVER)®, N NASDAQ LOGO (BLUE ON WHITE)®, NASDAQ (IN CHINESE)®, NASDAQ (IN KATAKANA)®, NASDAQ 100 INDEX®, NASDAQ BIOTECHNOLOGY INDEX®, NASDAQ CANADA COMPOSITE INDEX®, NASDAQ CANADA INDEX®, NASDAQ CANADA®, NASDAQ CAPITAL MARKET®, NASDAQ COMPOSITE INDEX®, NASDAQ COMPOSITE®, NASDAQ COMPUTER INDEX®, NASDAQ DIVIDEND ACHIEVERS®, NASDAQ DUBAI®, NASDAQ EUROPE COMPOSITE INDEX®, NASDAQ EUROPE®, NASDAQ FINANCIAL-100 INDEX®, NASDAQ FX®, NASDAQ GLOBAL MARKET®, NASDAQ GLOBAL SELECT MARKET®, NASDAQ INDUSTRIAL INDEX®, NASDAQ INTERACT®, NASDAQ INTERNET INDEX®, NASDAQ IQ FUND®, NASDAQ JAPAN (IN ENGLISH)®, NASDAQ JAPAN (IN KATAKANA)®, NASDAQ JAPAN®, NASDAQ MARKET ANALYTIX®, NASDAQ MARKET CENTER®, NASDAQ MARKET FORCES®, NASDAQ MARKET VELOCITY®, NASDAQ MARKETSITE®, NASDAQ MAX®, NASDAQ NATIONAL MARKET®, NASDAQ OMX ALPHA INDEXES®, NASDAQ OMX GREEN ECONOMY INDEX®, NASDAQ OMX NORDIC®, NASDAQ OMX®, NASDAQ PRIVATE MARKET®, NASDAQ Q-50 INDEX®, NASDAQ TELECOMMUNICATIONS INDEX®, NASDAQ TOTALVIEW®, NASDAQ TRADER®, NASDAQ TRANSPORTATION INDEX®, NASDAQ US ALL

MARKET®, NASDAQ VOLATILITY GUARD®, NASDAQ WORKSTATION II®, NASDAQ WORKSTATION®, NASDAQ WORLD (IN KATAKANA)®, NASDAQ WORLD®, NASDAQ-100 (IN KATAKANA)®, NASDAQ-100 EUROPEAN FUND®, NASDAQ-100 EUROPEAN TRACKER FUND®, NASDAQ-100 EUROPEAN TRACKER®, NASDAQ-100 INDEX (IN KATAKANA)®, NASDAQ-100 INDEX EUROPEAN TRACKER FUND®, NASDAQ-100 INDEX TRACKING STOCK®, NASDAQ-100 INDEX®, NASDAQ-100®, NASDAQ-FINANCIAL INDEX®, NASDAQ-FINANCIAL®, NASDAQ®, NDX®, NEWS DASHBOARD®, NEWS RELEASE EXPRESS®, NFX WORLD CURRENCY FUTURES®, NFX XL®, NLX®, NOIS®, NORDIX®, OM®, OMX COPENHAGEN 20®, OMX HELSINKI 25®, OMX STIBOR FUTURE®, OMX STOCKHOLM 30®, OMX TECHNOLOGY®, OMX®, OMXH25®, OMXS30®, OMXS3FUT®, ON THE WIRE®, OTW®, OVERUNDER®, ÖVERUNDER®, PHILADELPHIA STOCK EXCHANGE®, PHLX XL®, PHLX®, PIXL®, PRF®, Q THE NEXT GREAT THING®, QQQ®, QTARGET®, QVIEW®, R3®, RE-THINK®, RISKWAY®, RISKWRAPPER®, RISKXPOSURE®, RX®, S.A.X.E.S®, SDW (SYSTEM DEVELOPMENT WORKBENCH)®, SECONDMARKET ECOYSYSTEM®, SECONDMARKET®, SIDECAR®, SIGNALXPRESS SX®, SIGNALXPRESS®, SMARTS®, SMARTSONLINE®, STINA®, STRUCTURED LIQUIDITY PROGRAM®, THE NASDAQ STOCK MARKET®, THE STOCK MARKET FOR THE NEXT 100 YEARS®, TOTAL EQUITY SOLUTION®, TRADEGUARD®, TX®, ULL®, ULTRA LOW LATENCY®, ULTRAFEED®, VX PROXY®, WIZER®, XDE®

Table Of Contents

To the extent a name, logo or design does not appear on the above list, such lack of appearance does not constitute a waiver of any intellectual property rights that Nasdaq has established in its product or service names or logos, or in product configurations or designs, all of which rights are expressly reserved.

FINRA® and TRADE REPORTING FACILITY® are registered trademarks of the Financial Industry Regulatory Authority, or FINRA.

All other trademarks and service marks used herein are the property of their respective owners.

* * * * * *

This Quarterly Report on Form 10-Q includes market share and industry data that we obtained from industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys generally state that the information they contain has been obtained from sources believed to be reliable, but we cannot assure you that this information is accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most currently available market data. For market comparison purposes, The NASDAQ Stock Market data in this Quarterly Report on Form 10-Q for initial public offerings, or IPOs, is based on data generated internally by us, which includes best efforts underwritings; therefore, the data may not be comparable to other publicly-available IPO data. Data in this Quarterly Report on Form 10-Q for new listings of equity securities on The NASDAQ Stock Market is based on data generated internally by us, which includes best efforts underwritings, issuers that switched from other listing venues, closed-end funds and exchange traded products, or ETPs. Data in this Quarterly Report on Form 10-Q for IPOs and new listings of equity securities on the Nasdaq Nordic and Nasdaq Baltic exchanges also is based on data generated internally by us. IPOs and new listings data is presented as of period end. While we are not aware of any misstatements regarding industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors. We refer you to the “Risk Factors” section in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, the “Risk Factors” section in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 that was filed with the U.S. Securities and Exchange Commission, or SEC, on May 5, 2016 and the “Risk Factors” section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 that was filed with the SEC on February 26, 2016.

Table Of Contents

Forward-Looking Statements

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

- our 2016 outlook;
- the scope, nature or impact of acquisitions, divestitures, investments or other transactional activities;
- the integration of acquired businesses, including accounting decisions relating thereto;
- the effective dates for, and expected benefits of, ongoing initiatives, including acquisitions and other strategic, restructuring, technology, de-leveraging and capital return initiatives;
- our products, order backlog and services;
- the impact of pricing changes;
- tax matters;
- the cost and availability of liquidity; and
- any litigation or regulatory or government investigation or action to which we are or could become a party.

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

- our operating results may be lower than expected;
- loss of significant trading and clearing volume, market share, listed companies or other customers;
- economic, political and market conditions and fluctuations, including interest rate and foreign currency risk, inherent in U.S. and international operations;
- government and industry regulation;
- our ability to keep up with rapid technological advances and adequately address cybersecurity risks;
- the performance and reliability of our technology and technology of third parties;
- our ability to successfully integrate acquired businesses, including the fact that such integration may be more difficult, time consuming or costly than expected, and our ability to realize synergies from business combinations and acquisitions;
- our ability to continue to generate cash and manage our indebtedness; and
- adverse changes that may occur in the securities markets generally.

Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the uncertainty and any risk related to forward-looking statements that we make. These risk factors are discussed under the caption "Part II. Item 1A. Risk Factors," in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 that was filed with the SEC on May 5, 2016 and more fully described in the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 that was filed with the SEC on February 26, 2016. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. You should carefully read this entire Quarterly Report on Form 10-Q, including "Part 1. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the condensed consolidated financial statements and the related notes. Except as required by the federal securities laws, we undertake no obligation to update any forward-looking statement, release publicly any revisions to any forward-looking statements or report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

1

Table Of Contents

PART 1—FINANCIAL INFORMATION

Item 1. Financial Statements.

Nasdaq, Inc.

Condensed Consolidated Balance Sheets

(in millions, except share and par value amounts)

	June 30, 2016	December 31, 2015
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 344	$ 301
Restricted cash	22	56
Financial investments, at fair value	255	201
Receivables, net	399	316
Default funds and margin deposits	3,411	2,228
Other current assets	165	158
Total current assets	4,596	3,260
Property and equipment, net	332	323
Deferred tax assets	741	643
Goodwill	6,236	5,395
Intangible assets, net	2,771	1,959
Other non-current assets	423	281
Total assets	$ 15,099	$ 11,861
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 172	$ 158
Section 31 fees payable to SEC	160	98
Accrued personnel costs	129	171
Deferred revenue	275	127
Other current liabilities	161	138
Default funds and margin deposits	3,411	2,228
Total current liabilities	4,308	2,920
Debt obligations	3,731	2,364
Deferred tax liabilities	983	626

Non-current deferred revenue	199	200
Other non-current liabilities	161	142
Total liabilities	9,382	6,252
Commitments and contingencies		
Equity		
Nasdaq stockholders' equity:		
Common stock, $0.01 par value, 300,000,000 shares authorized, shares issued: 169,339,692 at June 30, 2016 and 167,241,734 at December 31, 2015; shares outstanding: 165,542,188 at June 30, 2016 and 164,324,270 at December 31, 2015	2	2
Additional paid-in capital	3,062	3,011
Common stock in treasury, at cost: 3,797,504 shares at June 30, 2016 and 2,917,464 shares at December 31, 2015	(166)	(111)
Accumulated other comprehensive loss	(860)	(864)
Retained earnings	3,679	3,571
Total Nasdaq stockholders' equity	5,717	5,609
Total liabilities and equity	$ 15,099	$ 11,861

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

Nasdaq, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

(in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Market Services	$ 532	$ 478	$ 1,104	$ 1,018
Listing Services	68	66	134	130
Information Services	134	128	268	253
Technology Solutions	163	135	297	265
Total revenues	897	807	1,803	1,666
Transaction-based expenses:				
Transaction rebates	(256)	(216)	(541)	(477)
Brokerage, clearance and exchange fees	(82)	(73)	(169)	(164)
Revenues less transaction-based expenses	559	518	1,093	1,025
Operating expenses:				
Compensation and benefits	164	144	316	291
Marketing and advertising	8	6	14	13
Depreciation and amortization	41	34	79	67
Professional and contract services	35	42	70	76
Computer operations and data communications	27	23	52	58
Occupancy	19	21	39	42
Regulatory	6	7	13	14
Merger and strategic initiatives	35	3	44	3
General, administrative and other	17	19	32	65
Restructuring charges	33	2	41	152
Total operating expenses	385	301	700	781
Operating income	174	217	393	244
Interest income	1	1	2	1
Interest expense	(32)	(27)	(60)	(55)
Other investment income	2	-	3	-
Net income from unconsolidated investees	1	1	3	15
Income before income taxes	146	192	341	205
Income tax provision	76	60	139	64
Net income	70	132	202	141
Net loss attributable to noncontrolling interests	-	1	-	1

Net income attributable to Nasdaq	$ 70	$ 133	$ 202	$ 142
Per share information:				
Basic earnings per share	$ 0.42	$ 0.79	$ 1.23	$ 0.84
Diluted earnings per share	$ 0.42	$ 0.77	$ 1.20	$ 0.82
Cash dividends declared per common share	$ -	$ 0.25	$ 0.57	$ 0.40

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

Nasdaq, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$ 70	$ 132	$ 202	$ 141
Other comprehensive income (loss):				
Foreign currency translation gains (losses):				
Net foreign currency translation gains (losses)	(127)	125	11	(188)
Income tax benefit (expense)	37	(48)	(7)	65
Total other comprehensive income (loss), net of tax	(90)	77	4	(123)
Comprehensive income (loss)	(20)	209	206	18
Comprehensive loss attributable to noncontrolling interests	-	1	-	1
Comprehensive income (loss) attributable to Nasdaq	$ (20)	$ 210	$ 206	$ 19

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

Nasdaq, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)

	Six Months Ended June 30, 2016		2015	
Cash flows from operating activities:				
Net income	$	202	$	141
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		79		67
Share-based compensation		35		32
Excess tax benefits related to share-based payments		(33)		(5)
Deferred income taxes		(7)		(64)
Non-cash restructuring charges		8		134
Net income from unconsolidated investees		(3)		(15)
Other reconciling items included in net income		4		9
Net change in operating assets and liabilities, net of effects of acquisitions:				
Receivables, net		(6)		54
Other assets		11		13
Accounts payable and accrued expenses		5		(3)
Section 31 fees payable to SEC		57		23
Accrued personnel costs		(53)		(45)
Deferred revenue		111		58
Other liabilities		(18)		7
Net cash provided by operating activities		392		406

Cash flows from investing activities:		
Purchases of trading securities	(245)	(190)
Proceeds from sales and redemptions of trading securities	194	117
Purchases of available-for-sale investment securities	(8)	(27)
Proceeds from maturities of available-for-sale investment securities	7	3
Capital contribution in equity method investment	-	(30)
Acquisition of businesses, net of cash and cash equivalents acquired	(1,460)	(226)
Purchases of property and equipment	(51)	(59)
Other investment activities	(10)	(6)
Net cash used in investing activities	(1,573)	(418)
Cash flows from financing activities:		
Payments of debt obligations	(1,033)	(91)
Proceeds from utilization of credit commitment	833	131
Proceeds from issuances of senior unsecured notes and term loan facility	1,558	-
Cash paid for repurchase of common stock	(45)	(55)
Cash dividends	(94)	(68)
Proceeds received from employee stock activity	28	17
Payments related to employee shares withheld for taxes	(57)	(27)
Excess tax benefits related to share-based payments	33	5
Other financing activities	-	-
Net cash provided by (used in) financing activities	1,223	(88)
Effect of exchange rate changes on cash and cash equivalents	1	(3)
Net increase (decrease) in cash and cash equivalents	43	(103)
	301	427

Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period	$	344	$	324
Supplemental Disclosure Cash Flow Information				
Cash paid for:				
Interest	$	67	$	65
Income taxes, net of refund	$	127	$	111

See accompanying notes to condensed consolidated financial statements.

Table Of Contents

Nasdaq, Inc.

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Organization and Nature of Operations

Nasdaq, Inc. is a leading provider of trading, clearing, exchange technology, regulatory, securities listing, information and public company services across six continents. Our global offerings are diverse and include trading and clearing across multiple asset classes, access services, data products, financial indexes, capital formation solutions, corporate solutions and market technology products and services. Our technology powers markets across the globe, supporting equity derivative trading, clearing and settlement, cash equity trading, fixed income trading and many other functions.

We manage, operate and provide our products and services in four business segments: Market Services, Listing Services, Information Services and Technology Solutions.

Market Services

Our Market Services segment includes our equity derivative trading and clearing, cash equity trading, fixed income, currency and commodities trading and clearing, or FICC, and access and broker services businesses. We operate multiple exchanges and other marketplace facilities across several asset classes, including derivatives, commodities, cash equity, debt, structured products and ETPs. In addition, in some countries where we operate exchanges, we also provide broker services, clearing, settlement and central depository services. Our transaction-based platforms provide market participants with the ability to access, process, display and integrate orders and quotes. The platforms allow the routing and execution of buy and sell orders as well as the reporting of transactions, providing fee-based revenues.

Through our acquisition of U.S. Exchange Holdings, Inc., together with its subsidiaries, or ISE, an operator of three electronic options exchanges, we now operate six electronic options exchanges and three cash equity exchanges in the U.S. See “Acquisition of International Securities Exchange,” of Note 4, “Acquisitions,” for further discussion of the ISE acquisition. The NASDAQ Stock Market, the largest of our cash equities exchanges, is the largest single venue of liquidity for trading U.S.-listed cash equities. We also operate a leading electronic platform for trading of U.S. Treasuries and Nasdaq Futures, Inc., or NFX, a U.S. based energy derivatives market which offers cash settled energy derivatives based on key energy benchmarks including oil, natural gas and U.S. power.

Through our acquisition of Chi-X Canada ATS Limited, or Chi-X Canada, in February 2016, we also operate two Canadian markets for the trading of Canadian-listed securities. Effective June 1, 2016, we changed the name of Chi-X Canada to Nasdaq CXC Limited, or Nasdaq CXC. See “Acquisition of Nasdaq CXC, Formerly Chi-X Canada,” of Note 4, “Acquisitions,” for further discussion of the Chi-X Canada acquisition.

In Europe, we operate exchanges in Stockholm (Sweden), Copenhagen (Denmark), Helsinki (Finland), and Iceland, as well as the clearing operations of Nasdaq Clearing. We also operate exchanges in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania) as Nasdaq Baltic. Collectively, Nasdaq Nordic and Nasdaq Baltic offer trading in cash equities and depository receipts, warrants, convertibles, rights, fund units and exchange traded funds as well as trading and clearing of derivatives and clearing of resale and repurchase agreements. Through Nasdaq First North, our Nordic and Baltic operations also offer alternative marketplaces for smaller companies.

In addition, Nasdaq Commodities operates a power derivatives exchange regulated in Norway and a European carbon exchange. In the U.K., we operate Nasdaq NLX, a London-based multilateral trading venue that offers a range of both short-term interest rate and long-term interest rate euro- and sterling-based listed derivative products.

Through our Access and Broker Services business, we provide market participants with a wide variety of alternatives for connecting to and accessing our markets via a number of different protocols used for quoting, order entry, trade reporting, DROP functionality and connectivity to various data feeds. We also provide co-location services to market participants, whereby firms may lease cabinet space and power to house their own equipment and servers within our data center. Our broker services operations offer technology and customized securities administration solutions to financial participants in the Nordic market.

Listing Services

Our Listing Services segment includes our U.S. and European Listing Services businesses. We operate a variety of listing platforms around the world to provide multiple global capital raising solutions for private and public companies. Our main listing markets are The NASDAQ Stock Market and the Nasdaq Nordic and Nasdaq Baltic exchanges. Our Listing Services Segment also includes The NASDAQ Private Market, LLC, or NPM, and SecondMarket Solutions, Inc., or SecondMarket, which are marketplaces for private growth companies.

As of June 30, 2016, The NASDAQ Stock Market was home to 2,868 listed companies with a combined market capitalization of approximately $8.1 trillion, and in Europe, the Nasdaq Nordic and Nasdaq Baltic exchanges, together with Nasdaq First North, were home to 873 listed companies with a combined market capitalization of approximately $1.2 trillion.

Table Of Contents

Information Services

Our Information Services segment includes our Data Products and our Index Licensing and Services businesses. Our Data Products business sells and distributes historical and real-time quote and trade information to market participants and data distributors. Our data products enhance transparency of the market activity within the exchanges that we operate and provide critical information to professional and non-professional investors globally.

Our Index Licensing and Services business develops and licenses Nasdaq branded indexes, associated derivatives, and financial products and also provides custom calculation services for third-party clients. As of June 30, 2016, we had 267 ETPs licensed to Nasdaq's indexes and had over $108 billion of assets under management, or AUM, in licensed ETPs tracking Nasdaq indexes.

Technology Solutions

Our Technology Solutions segment includes our Corporate Solutions and Market Technology businesses.

Our Corporate Solutions business serves corporate clients, including companies listed on our exchanges. We help organizations manage the two-way flow of information with their key constituents, including their board members and investors, and with clients and the public through our suite of advanced technology, analytics, and consultative services. Our Corporate Solutions business primarily offers products to serve the following key areas: investor relations, public relations, multimedia solutions, and governance. We currently have over 18,000 Corporate Solutions clients.

Our Market Technology business is a leading global technology solutions provider and partner to exchanges, clearing organizations, central securities depositories, regulators, banks, brokers and corporate businesses. Our Market Technology business is the sales channel for our complete global offering to other marketplaces.

Market Technology provides technology solutions for trading, clearing, settlement, surveillance and information dissemination to markets with wide-ranging requirements, from the leading markets in the U.S., Europe, and Asia to emerging markets in the Middle East, Latin America, and Africa. Our marketplace solutions can handle a wide array of assets including cash equities, equity derivatives, currencies, various interest-bearing securities, commodities, and energy products, and are currently powering more than 70 marketplaces in 50 countries. Market Technology also provides market surveillance services to broker-dealer firms worldwide, as well as enterprise governance, risk management, and compliance software solutions.

2. Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The condensed consolidated financial statements include the accounts of Nasdaq, its wholly-owned subsidiaries and other entities in which Nasdaq has a controlling financial interest. When we do not have a controlling interest in an entity but exercise significant influence over the entity's operating and financial policies, such investment is accounted for under the equity method of accounting. We recognize our share of earnings or losses of an equity method investee based on our ownership percentage. As permitted under U.S. GAAP, for certain equity method investments for which financial information is not sufficiently timely for us to apply the equity method of accounting currently, we record our share of the earnings or losses of the investee from the most recently available financial statements on a lag. See "Equity Method Investments," of Note 6, "Investments," for further discussion of our equity method investments.

The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation.

As permitted under U.S. GAAP, certain footnotes or other financial information can be condensed or omitted in the interim condensed consolidated financial statements. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in Nasdaq's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Certain prior period amounts have been reclassified to conform to the current period presentation.

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

We have evaluated subsequent events through the issuance date of this Quarterly Report on Form 10-Q.

Table Of Contents

Tax Matters

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

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

Nasdaq's income tax provision was $76 million for the second quarter of 2016 and $139 million in the first six months of 2016 compared with $60 million in the second quarter of 2015 and $64 million in the first six months of 2015. The overall effective tax rate was 52.1% in the second quarter of 2016 and 40.8% in the first six months of 2016 compared with 31.3% in the second quarter of 2015 and 31.2% in the first six months of 2015. The higher effective tax rate in the second quarter and first six months of 2016 when compared with the same periods in 2015 is primarily due to an unfavorable ruling from the Finnish Supreme Administrative Court. See below for further discussion. 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.

Nasdaq 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 the years 2011 through 2013 are currently under audit by the Internal Revenue Service and we are subject to examination for the year 2014. Several state tax returns are currently under examination by the respective tax authorities for the years 2005 through 2013 and we are subject to examination for the year 2014. Non-U.S. tax returns are subject to examination by the respective tax authorities for the years 2008 through 2015. We anticipate that the amount of unrecognized tax benefits at June 30, 2016 will significantly decrease in the next twelve months as we expect to settle certain tax audits. We anticipate that such adjustments will not have a material impact on our consolidated financial position or results of operations.

In the fourth quarter of 2010, we received an appeal from the Finnish Tax Authority challenging certain interest expense deductions claimed by Nasdaq in Finland for the year 2008. The appeal also demanded certain penalties be paid with regard to the company's tax return filing position. In October 2012, the Finnish Appeals Board disagreed with the company's tax return filing position for years 2009 through 2011, even though the tax return position with respect to this deduction was previously reviewed and approved by the Finnish Tax Authority. In June 2014, the Finnish Administrative Court also disagreed with the company's tax return filing position for these years. We appealed this ruling to the Finnish Supreme Administrative Court. Through March 31, 2016, we recorded tax benefits of $30 million associated with this filing position. We paid $41 million to the Finnish tax authorities, which includes $11 million in interest and penalties. In May 2016, we received an unfavorable ruling from the Finnish Supreme Administrative Court, in which the Court disagreed with our position. As such, in the second quarter of 2016 we recorded tax expense of $28 million, or $0.17 per diluted share. This expense reflects the reversal of previously recorded Finnish tax benefits, and related interest and penalties, of $38 million through the first quarter of 2016, net of a related U.S. tax benefit of $10 million. The tax expense recorded reflects the impact of foreign currency translation. We expect to record future quarterly net tax expense of approximately $1 million as a result of this ruling.

From 2009 through 2012, we recorded tax benefits associated with certain interest expense incurred in Sweden. Our position is supported by a 2011 ruling we received from the Swedish Supreme Administrative Court. However, under new legislation effective January 1, 2013, limitations are imposed on certain forms of interest expense. Because this legislation is unclear with regard to our ability to continue to claim such interest deductions, Nasdaq filed an application for an advance tax ruling with the Swedish Tax Council for Advance Tax Rulings. In June 2014, we received an unfavorable ruling from the Swedish Tax Council for Advance Tax Rulings. We appealed this ruling to the Swedish Supreme Administrative Court; however the Swedish Supreme Administrative Court denied our request for a ruling based on procedural requirements. In the third quarter of 2015, we received a notice from the Swedish Tax Agency that interest deductions for the year 2013 have been disallowed. We will appeal to the Swedish Lower Administrative Court and continue to expect a favorable decision. Since January 1, 2013, we have recorded tax benefits of $47 million associated with this matter. We continue to pay all assessments from the Swedish Tax Agency while this matter is pending. If the Swedish Courts agree with our position we will receive a refund of all paid assessments; if the Swedish Courts disagree with our position, we will record tax expense of $38 million, or $0.23 per diluted share, which is gross of any related U.S. tax benefits and reflects the impact of foreign currency translation. We expect to record recurring quarterly tax benefits of $1 million to $2 million with respect to this matter for the foreseeable future.

Other Tax Matter

Table Of Contents

In December 2012, the Swedish Tax Agency approved our 2010 amended value added tax, or VAT, tax return and we received a cash refund for the amount claimed. In 2013, we filed amended VAT tax returns for 2011 and 2012, utilizing the same approach which was approved for the 2010 filing. We also utilized this approach in our 2013 and 2014 filings. However, even though the VAT return position was previously reviewed and approved by the Swedish Tax Agency, the Swedish Tax Agency challenged our approach. The revised position of the Swedish Tax Agency was upheld by the Lower Administrative Court during the first quarter of 2015. As a result, in the first quarter of 2015, we reversed the previously recorded benefit of $12 million, based on the court decision. The decision of the Lower Administrative Court was upheld by the Court of Appeals in April 2016. We have appealed this ruling to the Supreme Administrative Court.

Recently Adopted Accounting Pronouncements

Income Taxes

In November 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2015-17, “Balance Sheet Classification of Deferred Taxes,” which eliminates the current requirement to present deferred tax liabilities and assets as current and non-current in a classified balance sheet. Instead, Nasdaq is required to classify all deferred tax liabilities and assets as non-current. In the first quarter of 2016, we elected to early adopt this guidance retrospectively for all periods presented in the Condensed Consolidated Balance Sheets. The adoption of this guidance resulted in the reclassification of current deferred tax assets of $24 million to non-current deferred tax assets and current deferred tax liabilities of $24 million to non-current deferred tax liabilities for the year ended December 31, 2015. This new standard is a change in balance sheet presentation only.

Business Combinations

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments,” which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. This guidance requires the acquirer to recognize adjustments to provisional amounts identified during the measurement period in the reporting period in which the adjustment amounts are determined. In addition, the amendments in this guidance require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. We adopted this new standard on January 1, 2016.

Recently Announced Accounting Pronouncements

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments,” which changes the impairment model for certain financial instruments. The new model is a forward looking expected loss model and will apply to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet credit exposures. This includes loans, held-to-maturity debt securities, loan commitments, financial guarantees and net investments in leases, as well as trade receivables. For available-for-sale debt securities with unrealized losses, credit losses will be measured in a manner similar to today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. This new standard is effective for us on January 1, 2020. Early adoption as of January 1, 2019 is permitted. We are currently assessing the impact that this standard will have on our consolidated financial statements.

Compensation – Stock Compensation

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This new guidance will require all income tax effects of awards to be recognized as income tax expense or benefit in the income statement when the awards vest or are settled, as opposed to additional paid-in-capital where it is currently recorded. This guidance will impact the calculation of our total diluted share count for the earnings per share calculation, as calculated under the treasury stock method. It also will allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting. All tax-related cash flows resulting from share-based payments are to be reported as operating activities on the statement of cash flows. In regards to forfeitures, Nasdaq can make a policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. This new standard is effective for us on January 1, 2017, with early adoption permitted. We are currently assessing the impact that this standard will have on our consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases." Under this new guidance, at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified

Table Of Contents

asset for the lease term. This guidance is not applicable for leases with a term of 12 months or less. Lessor accounting is largely unchanged. The new standard is effective for us on January 1, 2019. Early adoption is permitted. We are currently assessing the impact that this standard will have on our consolidated financial statements.

Financial Instruments – Overall

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." This new standard requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. Under this new guidance, Nasdaq will no longer be able to recognize unrealized holding gains and losses on equity securities classified today as available-for-sale in accumulated other comprehensive income within stockholders' equity. This new standard does not change the guidance for classifying and measuring investments in debt securities and loans. This new guidance also impacts financial liabilities accounted for under the fair value option and affects the presentation and disclosure requirements for financial assets and liabilities. This new standard is effective for us on January 1, 2018. Early adoption is not permitted. We do not anticipate a material impact on our consolidated financial statements at the time of adoption of this new standard.

Revenue From Contracts With Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition guidance in Accounting Standards Codification, "Revenue Recognition." The new revenue recognition standard sets forth a five-step revenue recognition model to determine when and how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration it expects to receive in exchange for those goods or services. The standard also requires more detailed disclosures. The standard provides alternative methods of initial adoption. On July 9, 2015, the FASB approved the deferral of the effective date of the new revenue recognition standard by one year. As a result, this new standard will now be effective for us on January 1, 2018. Early adoption as of the original effective date is permitted. We are currently assessing the impact that this standard will have on our consolidated financial statements, and have not yet selected a transition approach.

3. Restructuring Charges

2015 Restructuring Plan

During the first quarter of 2015, we performed a comprehensive review of our processes, businesses and systems in a company-wide effort to improve performance, cut costs, and reduce spending. As part of our 2015 restructuring plan, we recognized net restructuring charges totaling $33 million for the three months ended June 30, 2016, $41 million for the six months ended June 30, 2016, $2 million for the three months ended June 30, 2015 and $152 million for the six months ended June 30, 2015.

In June 2016, we completed our 2015 restructuring plan and recognized total net pre-tax charges of $214 million for the period March 2015 through June 2016. Total net pre-tax charges were attributed to the rebranding of our trade name for $119 million, severance charges of $47 million, asset impairments of $26 million, other charges of $21 million, and facilities related costs of $1 million. Through this initiative, we expect to generate annualized pre-tax savings of $36 million. Restructuring charges are recorded on restructuring plans that have been committed to by management and are, in part, based upon management's best estimates of future events. Changes to the estimates may require future adjustments to the restructuring reserve.

The following table presents a summary of the 2015 restructuring plan charges in the Condensed Consolidated Statements of Income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in millions)		(in millions)	
Rebranding of trade name	$ -	$ -	$ -	$ 119
Severance	18	3	22	21
Facilities-related	1	(10)	1	(7)
Asset impairments	5	6	8	15
Other	9	3	10	4
Total restructuring charges	$ 33	$ 2	$ 41	$ 152

Rebranding of Trade Name

In connection with our global rebranding initiative, we decided to change our company name from The NASDAQ OMX Group, Inc. to Nasdaq, Inc., which became effective in the third quarter of 2015. In connection with this action, we decided to discontinue the use of the OMX trade name and recorded a pre-tax, non-cash impairment charge of $119 million in March 2015 because we no longer attribute any material value to the trade name. The impairment charge did not impact the company's consolidated cash flows, liquidity, or capital resources.

Table Of Contents

Severance

Severance, which includes other termination benefits and other associated costs of $18 million for the three months ended June 30, 2016 and $22 million for the six months ended June 30, 2016, related to workforce reductions of 188 positions across our organization for the three months ended June 30, 2016 and 201 positions for the six months ended June 30, 2016. Severance, which includes other termination benefits and other associated costs of $3 million for the three months ended June 30, 2015 and $21 million for the six months ended June 30, 2015, related to workforce reductions of 21 positions across our organization for the three months ended June 30, 2015 and 220 positions for the six months ended June 30, 2015. In addition to reducing our workforce, we have relocated certain functions to lower cost locations and expect to continue hiring in these lower cost locations to support the business.

Facilities-related

The facilities-related cost of $1 million for both the three and six months ended June 30, 2016 primarily pertained to the consolidation of leased facilities. The facilities-related credit of $10 million for the three months ended June 30, 2015 and $7 million for the six months ended June 30, 2015 primarily pertained to the release of a previously recorded sublease loss reserve for part of the space we lease in New York, New York located at 1500 Broadway. In June 2015, as part of our real estate reorganization plans, management decided to occupy this space. Based on management's decision, we released the sublease loss reserve recorded for this space which totaled $10 million.

Asset Impairments

Asset impairment charges of $5 million for the three months ended June 30, 2016, $8 million for the six months ended June 30, 2016, $6 million for the three months ended June 30, 2015 and $15 million for the six months ended June 30, 2015 primarily related to fixed assets and capitalized software that were retired during the respective period.

Other

Other charges of $9 million for the three months ended June 30, 2016, $10 million for the six months ended June 30, 2016, $3 million for the three months ended June 30, 2015 and $4 million for the six months ended June 30, 2015 primarily related to consultant costs, marketing costs associated with rebranding of the Nasdaq trade name, computer operation costs associated with the replacement of outdated technology, and various other miscellaneous costs.

Restructuring Reserve

The following table presents the changes in the restructuring reserve during the six months ended June 30, 2016:

	Balance at December 31, 2015	Expense Incurred	Cash Payments	Balance at June 30, 2016
	(in millions)			
Severance	$ 12	$ 22	$ (13)	$ 21

As of June 30, 2016, the majority of the restructuring reserve is included in other current liabilities in the Condensed Consolidated Balance Sheets and will be paid during the remainder of 2016.

4. Acquisitions

2016 Acquisitions

We completed the following acquisitions in the first six months of 2016. Financial results of each transaction are included in our Condensed Consolidated Statements of Income from the date of each acquisition.

	Purchase Consideration	Total Net Assets (Liabilities) Acquired	Acquired Intangible Assets	Goodwill
	(in millions)			
ISE	$ 1,070	$ (102)	$ 623	$ 549
Boardvantage	242	(17)	111	148
Marketwired	111	(6)	31	86
Nasdaq CXC, formerly Chi-X Canada	116	(14)	76	54

The amounts in the table above represent the preliminary allocation of the purchase price and are subject to revision during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Adjustments to the provisional values during the measurement period will be recorded in the reporting period in which the adjustment amounts are determined. Changes to amounts recorded as assets and liabilities may result in a corresponding adjustment to goodwill. In the second quarter of 2016, we recorded a measurement period adjustment of $5 million to the estimated fair value of deferred tax liabilities related to our

Table Of Contents

acquisition of Marketwired. The adjustment was made to reflect a revised assessment of deferred tax liabilities following the receipt of new information. The adjustment resulted in a decrease to both net liabilities acquired and goodwill and is reflected in the above table. The measurement period adjustment was recorded as a revision in our second quarter 2016 Condensed Consolidated Balance Sheets. The adjustment did not result in an impact to our Condensed Consolidated Statements of Income.

Acquisition of International Securities Exchange

On June 30, 2016, we acquired ISE for $1,070 million. The acquisition of ISE, an operator of three electronic options exchanges, is expected to allow us to improve efficiencies for clients, broaden our technology offering, and provide the capability within the equity options industry to further innovate. We acquired net assets, at fair value, totaling $83 million and recorded a deferred tax liability of $266 million and a deferred tax asset of $81 million related to differences in the U.S. GAAP and tax basis of our investment in ISE, resulting in total net liabilities acquired of $102 million. ISE is part of our Market Services, Information Services and Technology Solutions segments.

In May 2016, we issued €600 million aggregate principal amount of 1.75% senior unsecured notes and in June 2016, we issued $500 million aggregate principal amount of 3.85% senior unsecured notes to fund this acquisition. See "1.75% Senior Unsecured Notes," and "3.85% Senior Unsecured Notes," of Note 8, "Debt Obligations," for further discussion.

Intangible Assets

The following table presents the details of the ISE acquired intangible assets. All acquired intangible assets with finite lives are amortized using the straight-line method.

Intangible assets:	Value (in millions)	Estimated Average Remaining Useful Life (in years)
Exchange registrations	$ 467	Indefinite
Customer relationships	148	13
Trade name	8	Indefinite
Total intangible assets	$ 623	

Exchange Registrations

The exchange registrations represent licenses that provide ISE with the ability to operate its option exchanges. Nasdaq views these intangible assets as a perpetual license to operate the exchanges so long as ISE meets its regulatory requirements. Nasdaq selected a variation of the income approach called the Greenfield Approach to value the exchange registrations. The Greenfield Approach refers to a discounted cash flow analysis that assumes the buyer is building the exchange from a start-up business to a normalized level of operations as of the acquisition date. This discounted cash flow model considers the required resources and eventual returns from the build-out of operational exchanges and the acquisition of customers, once the exchange registrations are obtained. The advantage of this approach is that it reflects the actual expectations that will arise from an investment in the registrations and it directly values the registrations. The Greenfield Approach relies on assumptions regarding projected revenues, margins, capital expenditures, depreciation, and working capital during the two year pre-trade phase, the 10 year ramp-up period as well as the terminal period.

A discount rate of 8.6% was utilized, which reflects the amount of risk associated with the hypothetical cash flows for the exchange registrations relative to the overall business. In developing a discount rate for the exchange registrations, we estimated a weighted average cost of capital for the overall business and we employed this rate when discounting the cash flows. The resulting discounted cash flows were then tax-effected at the applicable statutory rate.

Customer Relationships

Customer relationships represent the non-contractual and contractual relationships that ISE has with its customers. Customer relationships were valued using the income approach, specifically an excess earnings method. The excess earnings method examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return that is attributable to the intangible asset being valued.

A discount rate of 9.1% was utilized, which reflects the amount of risk associated with the hypothetical cash flows for the customer relationships relative to the overall business. In developing a discount rate for the customer relationships, we estimated a weighted average cost of capital for the overall business and we employed this rate when discounting the cash flows. The resulting discounted cash flows were then tax-effected at the applicable statutory rate.

Based on the historical behavior of the customers and a parallel analysis of the customers using the excess earnings method, we estimated the remaining useful life for the acquired customer relationships to be 13 years.

Table Of Contents

Acquisition of Boardvantage, Inc.

In May 2016, we acquired Boardvantage for $242 million ($197 million in cash paid plus $45 million in working capital adjustments, which primarily includes cash acquired). Boardvantage is a leading board portal solution provider which also specializes in leadership collaboration and meeting productivity. This acquisition expands our governance business within our Corporate Solutions business within our Technology Solutions segment where it will be integrated with the Directors Desk business. We acquired net assets, at fair value, totaling $28 million and recorded a deferred tax liability of $46 million and a deferred tax asset of $1 million related to differences in the U.S. GAAP and tax basis of our investment in Boardvantage, resulting in total net liabilities acquired of $17 million.

Nasdaq borrowed $197 million under the revolving credit commitment of our 2014 Credit Facility, as defined in Note 8, "Debt Obligations," to fund this acquisition.

Intangible Assets

The following table presents the details of the Boardvantage acquired intangible assets. These assets are amortized using the straight-line method.

Intangible assets:	Value (in millions)	Estimated Average Remaining Useful Life (in years)
Customer relationships	$ 103	14 years
Technology	6	5 years
Trade name	2	1 year
Total intangible assets	$ 111	

Customer Relationships

Customer relationships represent the non-contractual and contractual relationships that Boardvantage has with its customers and represented the primary intangible asset in this transaction. Customer relationships were valued using the income approach, specifically an excess earnings method. The excess earnings method examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return that is attributable to the intangible asset being valued.

A discount rate of 15.5% was utilized, which reflects the amount of risk associated with the hypothetical cash flows for the customer relationships relative to the overall business. In developing a discount rate for the customer relationships, we estimated a weighted average cost of capital for the overall business and we employed this rate when discounting the cash flows. The resulting discounted cash flows were then tax-effected at the applicable statutory rate.

Based on the historical behavior of the customers and a parallel analysis of the customers using the excess earnings method, we estimated the remaining useful life for the acquired customer relationships to be 14 years.

Acquisition of Marketwired

In February 2016, we acquired Marketwired for $111 million ($109 million in cash paid plus $2 million in working capital adjustments). Marketwired is a newswire operator and press release distributor. This acquisition expands

Nasdaq's position as a leading global corporate solutions provider. We acquired net liabilities, at fair value, totaling $1 million and recorded a deferred tax liability of $10 million related to differences in the U.S. GAAP and tax basis of our investment in Marketwired, resulting in total net liabilities acquired of $11 million. In the second quarter of 2016, we recorded a measurement period adjustment of $5 million to the estimated fair value of deferred tax liabilities to reflect a revised assessment following the receipt of new information. The adjustment resulted in a decrease to both net liabilities acquired and goodwill. The measurement period adjustment was recorded as a revision in our second quarter 2016 Condensed Consolidated Balance Sheets. The adjustment did not result in an impact to our Condensed Consolidated Statements of Income. Marketwired is part of our Corporate Solutions business within our Technology Solutions segment.

Nasdaq borrowed $109 million under the revolving credit commitment of our 2014 Credit Facility, as defined in Note 8, "Debt Obligations," to fund this acquisition.

Intangible Assets

The following table presents the details of the Marketwired acquired intangible assets. These assets are amortized using the straight-line method.

Value	Estimated Average Remaining Useful Life

13

Table Of Contents

Intangible assets:		(in millions)	(in years)
Customer relationships	$	29	6 years
Trade name		2	2 years
Total intangible assets	$	31	

Customer Relationships

Customer relationships represent the non-contractual and contractual relationships that Marketwired has with its customers and represented the primary intangible asset in this transaction. The Marketwired customer relationships were valued using the income approach, specifically an excess earnings method. The excess earnings method examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return that is attributable to the intangible asset being valued.

A discount rate of 16.4% was utilized, which reflects the amount of risk associated with the hypothetical cash flows for the customer relationships relative to the overall business. In developing a discount rate for the customer relationships, we estimated a weighted average cost of capital for the overall business and we employed this rate when discounting the cash flows. The resulting discounted cash flows were then tax-effected at the applicable statutory rate, and a discounted tax amortization benefit was added to the fair value of the assets under the assumption that the customer relationships would be amortized for tax purposes over a period of 15 years.

Based on the historical behavior of the customers and a parallel analysis of the customers using the excess earnings method, we estimated the remaining useful life for the acquired customer relationships to be 6 years.

Acquisition of Nasdaq CXC, Formerly Chi-X Canada

In February 2016, we acquired Nasdaq CXC for $116 million ($115 million in cash paid plus $1 million in working capital adjustments). With this acquisition, Nasdaq offers two Canadian markets for the trading of Canadian-listed securities. This acquisition will expand Nasdaq’s cash equity trading business in North America. We acquired net assets, at fair value, totaling $6 million and recorded a deferred tax liability of $20 million related to differences in the U.S. GAAP and tax basis of our investment in Nasdaq CXC, resulting in total net liabilities acquired of