

NYSE Euronext  
Form 10-Q  
November 08, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012**

**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 001-33392**

**NYSE Euronext**

**(Exact name of registrant as specified in its charter)**

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**20-5110848**  
(I.R.S. Employer  
Identification Number)

**11 Wall Street**

**New York, New York 10005**

(Address of principal executive offices) (Zip Code)

**(212) 656-3000**

Registrant's Telephone Number, Including Area Code

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 "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

As of November 2, 2012, the registrant had approximately 243 million shares of common stock, \$0.01 par value per share, outstanding.

**CERTAIN TERMS**

In this Quarterly Report on Form 10-Q, *NYSE Euronext*, *we*, *us*, and *our* refer to NYSE Euronext, a Delaware corporation, and its subsidiaries, except where the context requires otherwise.

*Archipelago*, *Archipelago Exchange*, *Euronext*, *NYSE*, *NYSE Blue*, *NYSE Liffe*, *Pacific Exchange* and *SFTI* among others, are trademarks or service marks of NYSE Euronext or its licensees or licensors with all rights reserved.

*FINRA* is a trademark of the Financial Industry Regulatory Authority ( *FINRA* ) with all rights reserved, and is used under license from FINRA.

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

Unless otherwise specified or the context otherwise requires:

*NYSE* refers to (1) prior to the completion of the merger between the New York Stock Exchange, Inc. and Archipelago Holdings, Inc. ( *Archipelago* ), which occurred on March 7, 2006, New York Stock Exchange, Inc., a New York Type A not-for-profit corporation (the *Merger* ), and (2) after completion of the Merger, New York Stock Exchange LLC, a New York limited liability company, and, where the context requires, its subsidiaries, NYSE Market, Inc., a Delaware corporation, and NYSE Regulation, Inc., a New York not-for-profit corporation. New York Stock Exchange LLC is registered with the U.S. Securities and Exchange Commission (the *SEC* ) under the U.S. Securities Exchange Act of 1934 (the *Exchange Act* ) as a national securities exchange.

*NYSE Arca* refers collectively to NYSE Arca, L.L.C., a Delaware limited liability company (formerly known as Archipelago Exchange, L.L.C.), NYSE Arca, Inc., a Delaware corporation (formerly known as the Pacific Exchange, Inc.), and NYSE Arca Equities, Inc., a Delaware corporation (formerly known as PCX Equities, Inc.). NYSE Arca, Inc. is registered with the SEC under the Exchange Act as a national securities exchange.

*NYSE MKT* refers to NYSE MKT LLC, a Delaware limited liability company (formerly known as the American Stock Exchange LLC or NYSE Amex LLC). NYSE MKT LLC is registered with the SEC under the Exchange Act as a national securities exchange.

### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that may constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as may, might, will, should, expect, plan, anticipate, believe, estimate, predict, potential or continue, and the negative or other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business and industry. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the risks and uncertainties described under Risk Factors in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011, and any additional risks and uncertainties described in our subsequent Quarterly Reports on Form 10-Q.

These risks and uncertainties are not exhaustive. Other sections of this report describe additional factors that could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can we assess the impact that these factors will have on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee our future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this report to conform our prior statements to actual results or revised expectations and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about:

possible or assumed future results of operations and operating cash flows;

strategies and investment policies;

financing plans and the availability of capital;

our competitive position and environment;

potential growth opportunities available to us;

the risks associated with potential acquisitions, alliances or combinations;

the recruitment and retention of officers and employees;

expected levels of compensation;

potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts;

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the likelihood of success and impact of litigation;

protection or enforcement of intellectual property rights;

expectations with respect to financial markets, industry trends and general economic conditions;

our ability to keep up with rapid technological change;

the timing and results of our technology initiatives;

the effects of competition; and

the impact of future legislation and regulatory changes.

We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. We expressly qualify in their entirety all forward-looking statements attributable to us or any person acting on our behalf by the cautionary statements referred to above.

**Item 1. Financial Statements****NYSE EURONEXT****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(In millions, except per share data)

(Unaudited)

|  | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
| <b>Assets</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$ 310                | \$ 396               |
| Financial investments  | 31                    | 36                   |
| Accounts receivable, net   | 477                   | 497                  |
| Deferred income taxes  | 71                    | 108                  |
| Other current assets   | 160                   | 152                  |
| Total current assets   | 1,049                 | 1,189                |
| Property and equipment, net  | 944                   | 963                  |
| Goodwill   | 4,139                 | 4,027                |
| Other intangible assets, net   | 5,715                 | 5,697                |
| Deferred income taxes  | 535                   | 594                  |
| Other assets   | 577                   | 637                  |
| Total assets   | \$ 12,959             | \$ 13,107            |
| <b>Liabilities and equity</b>  |                       |                      |
| Current liabilities:   |                       |                      |
| Accounts payable and accrued expenses  | \$ 626                | \$ 836               |
| Related party payable  |                       | 40                   |
| Section 31 fees payable  | 24                    | 116                  |
| Deferred revenue   | 225                   | 130                  |
| Short term debt  | 866                   | 39                   |
| Deferred income taxes  | 3                     | 23                   |
| Total current liabilities  | 1,744                 | 1,184                |
| Long term debt   | 1,616                 | 2,036                |
| Deferred income taxes  | 1,898                 | 1,900                |
| Accrued employee benefits  | 562                   | 620                  |
| Deferred revenue   | 373                   | 371                  |
| Related party payable  |                       | 37                   |
| Other liabilities  | 25                    | 26                   |
| Total liabilities  | 6,218                 | 6,174                |
| Commitments and contingencies  |                       |                      |
| Redeemable noncontrolling interest   | 281                   | 295                  |
| <b>Equity</b>  |                       |                      |
| NYSE Euronext stockholders' equity:  |                       |                      |
| Common stock, \$0.01 par value, 800 shares authorized; 278 and 277 shares issued; 244 and 258 shares outstanding | 3                     | 3                    |
| Common stock held in treasury, at cost; 34 and 19 shares   | (940)                 | (516)                |

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|  |           |           |
|--|-----------|-----------|
| Additional paid-in capital               | 8,003     | 7,982     |
| Retained earnings                        | 613       | 518       |
| Accumulated other comprehensive loss     | (1,260)   | (1,406)   |
| Total NYSE Euronext stockholders' equity | 6,419     | 6,581     |
| Noncontrolling interest                  | 41        | 57        |
| Total equity                             | 6,460     | 6,638     |
| Total liabilities and equity             | \$ 12,959 | \$ 13,107 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

## NYSE EURONEXT

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

|   | Three Months Ended September 30, |               | Nine Months Ended September 30, |               |
|---|----------------------------------|---------------|---------------------------------|---------------|
|   | 2012                             | 2011          | 2012                            | 2011          |
| <b>Revenues</b>   |                                  |               |                                 |               |
| Transaction and clearing fees                             | \$ 570                           | \$ 904        | \$ 1,828                        | \$ 2,461      |
| Market data   | 85                               | 93            | 263                             | 281           |
| Listing   | 112                              | 113           | 334                             | 334           |
| Technology services                                       | 81                               | 92            | 254                             | 263           |
| Other revenues  | 54                               | 56            | 161                             | 159           |
| <b>Total revenues</b>                                     | <b>902</b>                       | <b>1,258</b>  | <b>2,840</b>                    | <b>3,498</b>  |
| Transaction-based expenses:                               |                                  |               |                                 |               |
| Section 31 fees   | 74                               | 109           | 226                             | 287           |
| Liquidity payments, routing and clearing                  | 269                              | 445           | 852                             | 1,167         |
| <b>Total revenues, less transaction-based expenses</b>    | <b>559</b>                       | <b>704</b>    | <b>1,762</b>                    | <b>2,044</b>  |
| Other operating expenses:                                 |                                  |               |                                 |               |
| Compensation  | 145                              | 160           | 457                             | 480           |
| Depreciation and amortization                             | 64                               | 72            | 196                             | 212           |
| Systems and communications                                | 44                               | 46            | 133                             | 143           |
| Professional services                                     | 76                               | 77            | 218                             | 219           |
| Selling, general and administrative                       | 59                               | 61            | 185                             | 197           |
| Merger expenses and exit costs                            | 18                               | 29            | 61                              | 68            |
| <b>Total other operating expenses</b>                     | <b>406</b>                       | <b>445</b>    | <b>1,250</b>                    | <b>1,319</b>  |
| <b>Operating income</b>                                   | <b>153</b>                       | <b>259</b>    | <b>512</b>                      | <b>725</b>    |
| Interest expense  | (29)                             | (31)          | (88)                            | (92)          |
| Investment income   | 1                                | 2             | 4                               | 4             |
| Loss from associates                                      | (2)                              | (2)           | (5)                             | (5)           |
| Net loss on disposal activities                           |                                  |               | (2)                             |               |
| Other income (loss)                                       | 1                                | (1)           | 4                               |               |
| Income before income taxes                                | 124                              | 227           | 425                             | 632           |
| Income tax provision                                      | (12)                             | (21)          | (91)                            | (126)         |
| <b>Net income</b>   | <b>112</b>                       | <b>206</b>    | <b>334</b>                      | <b>506</b>    |
| Net (income) loss attributable to noncontrolling interest | (4)                              | (6)           | (14)                            | 2             |
| <b>Net income attributable to NYSE Euronext</b>           | <b>\$ 108</b>                    | <b>\$ 200</b> | <b>\$ 320</b>                   | <b>\$ 508</b> |
| Basic earnings per share attributable to NYSE Euronext    | \$ 0.44                          | \$ 0.76       | \$ 1.27                         | \$ 1.94       |
| Diluted earnings per share attributable to NYSE Euronext  | \$ 0.44                          | \$ 0.76       | \$ 1.26                         | \$ 1.93       |

The accompanying notes are an integral part of these condensed consolidated financial statements.





## NYSE EURONEXT

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

|  | Three Months Ended September 30, |                 | Nine Months Ended September 30, |               |
|--|----------------------------------|-----------------|---------------------------------|---------------|
|  | 2012                             | 2011            | 2012                            | 2011          |
| <b>Net income</b>  | <b>\$ 112</b>                    | <b>\$ 206</b>   | <b>\$ 334</b>                   | <b>\$ 506</b> |
| Foreign currency translation, after impact of net investment hedge gain (loss) of (\$17), \$99, \$14 and (\$35) and taxes of \$10, (\$40), (\$3) and \$7, respectively | 159                              | (364)           | 127                             | 23            |
| Change in market value adjustments of available-for-sale securities, net of taxes of \$(4), \$0, \$(7) and \$(2), respectively   | 9                                |                 | 14                              | 4             |
| Employee benefit plan adjustments:   |                                  |                 |                                 |               |
| Net (losses) gains, net of taxes of (\$2), \$0, (\$6) and \$0  | 2                                |                 | 6                               |               |
| Total comprehensive income (loss)  | 282                              | (158)           | 481                             | 533           |
| Less: comprehensive income (loss) attributable to noncontrolling interest  | 5                                | 4               | 14                              | (2)           |
| <b>Comprehensive income (loss) attributable to NYSE Euronext</b>   | <b>\$ 277</b>                    | <b>\$ (162)</b> | <b>\$ 467</b>                   | <b>\$ 535</b> |

The accompanying notes are an integral part of these condensed consolidated financial statements.

## NYSE EURONEXT

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

|  | Nine Months Ended September 30, |        |
|--|---------------------------------|--------|
|  | 2012                            | 2011   |
| <b>Cash flows from operating activities:</b>   |                                 |        |
| Net income   | \$ 334                          | \$ 506 |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                 |        |
| Depreciation and amortization  | 196                             | 218    |
| Deferred income taxes  | 38                              | (35)   |
| Deferred revenue amortization  | (71)                            | (72)   |
| Stock-based compensation   | 37                              | 30     |
| Other non-cash items   | 11                              | 9      |
| <b>Change in operating assets and liabilities:</b>                                       |                                 |        |
| Accounts receivable, net   | 15                              | 53     |
| Other assets   | 47                              | (83)   |
| Accounts payable, accrued expenses, and Section 31 fees payable                          | (349)                           | 8      |
| Related party payable  |                                 | (40)   |
| Deferred revenue   | 158                             | 138    |
| Accrued employee benefits  | (59)                            | (57)   |
| Net cash provided by operating activities  | 357                             | 675    |
| <b>Cash flows from investing activities:</b>   |                                 |        |
| Sales of short term financial investments  | 583                             | 740    |
| Purchases of short term financial investments  | (578)                           | (715)  |
| Purchases of equity investments and businesses, net of cash acquired                     | (120)                           | (33)   |
| Net proceeds from disposition of asset held-for-sale                                     |                                 | 34     |
| Purchases of property and equipment  | (125)                           | (116)  |
| Other investing activities   | 25                              | 4      |
| Net cash used in investing activities  | (215)                           | (86)   |
| <b>Cash flows from financing activities:</b>   |                                 |        |
| Commercial paper borrowings (repayments), net  | 423                             | (343)  |
| Dividends to shareholders  | (226)                           | (235)  |
| Purchases of treasury stock  | (424)                           |        |
| Employee stock transactions and other  | (20)                            | (1)    |
| Net cash used in financing activities  | (247)                           | (579)  |
| Effects of exchange rate changes on cash and cash equivalents                            | 19                              | 3      |
| Net (decrease) increase in cash and cash equivalents for the period                      | (86)                            | 13     |
| Cash and cash equivalents at beginning of period   | 396                             | 327    |
| Cash and cash equivalents at end of period   | \$ 310                          | \$ 340 |
| <b>Non-cash investing and financing activities:</b>                                      |                                 |        |
| Acquisition of APX   | \$                              | \$ 40  |
| Issuance of shares in connection with the sale of American Stock Exchange building       | \$                              | \$ 12  |

The accompanying notes are an integral part of these condensed consolidated financial statements.



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NYSE EURONEXT

Notes to Condensed Consolidated Financial Statements

**Note 1 Organization and Basis of Presentation**

**Organization**

NYSE Euronext is a holding company that, through its subsidiaries, operates the following securities exchanges: the New York Stock Exchange ( NYSE ), NYSE Arca, Inc. ( NYSE Arca ) and NYSE MKT LLC ( NYSE MKT ) in the United States and the European-based exchanges that comprise Euronext N.V. ( Euronext ) the London, Paris, Amsterdam, Brussels and Lisbon stock exchanges, as well as the derivatives markets in London, Paris, Amsterdam, Brussels and Lisbon (collectively, NYSE Liffe ) and the United States futures market, NYSE Liffe US, LLC ( NYSE Liffe US ). NYSE Euronext is a global markets operator and provider of securities listing, trading, market data products, and software and technology services. We also provide critical technology infrastructure around the world to our clients and exchange partners including co-location services, connectivity, trading platforms and market data content and services. NYSE Euronext was formed in connection with the April 4, 2007 combination of NYSE Group (which was formed in connection with the March 7, 2006 merger of the NYSE and Archipelago) and Euronext. NYSE Euronext common stock is dually listed on the NYSE and Euronext Paris under the symbol NYX.

**Basis of Presentation**

The accompanying condensed unaudited consolidated financial statements include the accounts of NYSE Euronext and its subsidiaries.

The accompanying condensed unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S. ( U.S. GAAP ) and reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results for the period. All material intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally required in financial statements under U.S. GAAP have been condensed or omitted; however, management believes that the disclosures are adequate to make the information presented not misleading.

The preparation of these condensed unaudited consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could be materially different from these estimates. Certain prior period amounts have been reclassified to conform to the current period's presentation.

The condensed consolidated financial statements are unaudited and should be read in conjunction with the audited financial statements of NYSE Euronext as of and for the year ended December 31, 2011. Operating results for the three and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

**Note 2 Strategic Investments and Divestitures**

*Terminated Business Combination*

On February 15, 2011, we entered into a Business Combination Agreement (the Business Combination Agreement ) with Deutsche Börse AG ( Deutsche Börse ), pursuant to which the two companies agreed to combine their respective businesses and become subsidiaries of a newly formed Dutch holding company (the Proposed Business Combination ). Completion of the Proposed Business Combination was subject to the satisfaction of several conditions, including, among others, approvals by the relevant competition and financial, securities and other regulatory authorities in the United States and Europe.

On February 1, 2012, the EU Competition Commission issued a formal decision disapproving the Proposed Business Combination. In light of the EU Commission's decision, on February 2, 2012, NYSE Euronext and Deutsche Börse announced that they mutually agreed to terminate the Business Combination Agreement.

*NYSE Blue*

On February 18, 2011, we formed NYSE Blue through the combination of APX, Inc. and our 60% stake in BlueNext SA ( BlueNext ), with NYSE Euronext as the majority owner of NYSE Blue. NYSE Blue, through these companies, provided, among other things, infrastructure and services to environmental sponsors and market participants as well as its registry services for renewable energy in the United States and voluntary carbon credits worldwide. On April 5, 2012, NYSE Blue was unwound, resulting in NYSE Euronext taking back ownership of its 60%

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stake in Bluenext and relinquishing its interest in APX, Inc. We recorded a \$2.0 million net loss on disposal activities in connection with this transaction.

Prior to the completion of this unwind, NYSE Euronext consolidated the results of operations and financial condition of NYSE Blue (which included the results of BlueNext and APX, Inc.). Following this unwind, NYSE Euronext only consolidated the results of operations and financial condition of BlueNext.

In October 2012, NYSE Euronext and CDC Climat, a subsidiary of Caisse des Dépôts, who own 60% and 40% of BlueNext, respectively, voted in favor of the closure of this entity. We expect to complete the closure of BlueNext by December 31, 2012.

### *Qatar*

On June 19, 2009, NYSE Euronext entered into a strategic partnership with the State of Qatar to establish the Qatar Exchange, the successor to the Doha Securities Market. Under the terms of the partnership, the Qatar Exchange is adopting the latest NYSE Euronext trading and network technologies. We are providing certain management services to the Qatar Exchange at negotiated rates.

In 2009, NYSE Euronext agreed to contribute \$200 million in cash to acquire a 20% ownership interest in the Qatar Exchange, \$40 million of which was paid upon closing on June 19, 2009, with two additional \$40 million payments made in June 2010 and June 2011. The agreement required the remaining \$80 million to be paid in two equal installments annually in June 2012 and June 2013.

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In September 2012, NYSE Euronext and the State of Qatar reached an agreement to reduce our ownership in the Qatar Exchange in consideration of the termination of the remaining two \$40 million installment payments. As of September 30, 2012, NYSE Euronext owned 12% of the Qatar Exchange.

### *Corpedia*

On June 22, 2012, NYSE Euronext completed the acquisition of Corpedia, a U.S.-based provider of ethics and compliance e-learning and consultative services.

### *Fixnetix*

On March 7, 2012, NYSE Euronext acquired approximately 25% of the outstanding shares of Fixnetix Limited, a U.K.-based service provider of ultra-low latency data provision, co-location, trading services and risk controls for more than 50 markets worldwide.

### *Metabit*

On September 1, 2011, NYSE Euronext completed the acquisition of Metabit, a leading Tokyo-based provider of high performance market access products with a trading community of more than 140 trading firms throughout Asia.

### *NYSE Amex Options*

On June 29, 2011, NYSE Euronext completed the sale of a significant equity interest in NYSE Amex Options, one of our two U.S. options exchanges, to seven external investors, Bank of America Merrill Lynch, Barclays Capital, Citadel Securities, Citi, Goldman Sachs, TD AMERITRADE and UBS. NYSE Euronext remains the largest shareholder in the entity and manages the day-to-day operations of NYSE Amex Options, which operates under the supervision of a separate board of directors and a dedicated chief executive officer. NYSE Euronext consolidates this entity for financial reporting purposes.

As part of the agreement, the external investors have received an equity instrument which is tied to their individual contribution to the options exchange's success. Under the terms of the agreement, the external investors have the option to require NYSE Euronext to repurchase a portion of the instrument on an annual basis over the course of five years starting in 2011. The amount NYSE Euronext is required to purchase under this arrangement is capped each year at between 5% and 15% of the total outstanding shares of NYSE Amex Options. On September 16, 2011, the external investors put approximately 5% of the total outstanding shares of NYSE Amex Options back to NYSE Euronext. NYSE Euronext recognized the full redemption value, i.e. fair value, of this instrument as mezzanine equity and classified the related balance as Redeemable noncontrolling interest in the condensed consolidated statement of financial condition as of September 30, 2012. Subsequent to September 30, 2012, the external investors put another 5% of the total outstanding shares of NYSE Amex Options back to NYSE Euronext.

### **Note 3 Restructuring**

As a result of streamlining certain business processes, NYSE Euronext has launched various severance plans in the U.S. and Europe. The following is a summary of the severance charges recognized in connection with these plans, utilization of the accrual through September 30, 2012 and the remaining accrual as of September 30, 2012 (in millions):

|   | Derivatives | Cash Trading<br>and<br>Listings | Information Services<br>and<br>Technology<br>Solutions | Corporate/<br>Eliminations | Total |
|---|-------------|---------------------------------|--|----------------------------|-------|
| Balance as of December 31, 2011         | \$          | \$ 5                            | \$ 2   | \$ 1                       | \$ 8  |
| Employee severance and related benefits | 8           | 14                              | 7  |                            | 29    |
| Severance and benefit payments          | (7)         | (9)                             | (5)  |                            | (21)  |
| Balance as of September 30, 2012        | \$ 1        | \$ 10                           | \$ 4   | \$ 1                       | \$ 16 |

The severance charges are included in merger expenses and exit costs in the condensed consolidated statements of operations. Based on current severance dates and the accrued severance at September 30, 2012, NYSE Euronext expects to pay these amounts throughout 2012 and into 2013.

**Note 4 Segment Reporting**

NYSE Euronext operates under three reportable segments: Derivatives, Cash Trading and Listings, and Information Services and Technology Solutions. We evaluate the performance of our operating segments based on revenue and operating income. We have aggregated all of our corporate costs, including the costs of operating as a public company, within Corporate/ Eliminations.

The following is a description of our reportable segments:

Derivatives consist of the following in NYSE Euronext's global businesses:

providing access to trade execution in derivatives products, options and futures;

providing certain clearing services for derivative products; and

selling and distributing market data and related information.

Cash Trading and Listings consist of the following in NYSE Euronext's global businesses:

providing access to trade execution in cash trading;

providing settlement of transactions in certain European markets;



obtaining new listings and servicing existing listings;

selling and distributing market data and related information; and

providing regulatory services.

Information Services and Technology Solutions consist of the following in NYSE Euronext's global businesses:

operating sellside and buy-side connectivity networks for our markets and for other major market centers and market participants in the United States, Europe and Asia;

providing trading and information technology software and solutions;

selling and distributing market data and related information to data subscribers for proprietary data products; and

providing multi-asset managed services and expert consultancy to exchanges and liquidity centers.

Summarized financial data of our reportable segments is as follows (in millions):

| Three months ended September 30, | Information Services<br>and |                              |                         |                            | Total    |
|----------------------------------|-----------------------------|------------------------------|-------------------------|----------------------------|----------|
|                                  | Derivatives                 | Cash Trading<br>and Listings | Technology<br>Solutions | Corporate/<br>Eliminations |          |
| <b>2012</b>                      |                             |                              |                         |                            |          |
| Revenues                         | \$ 220                      | \$ 569                       | \$ 113                  | \$                         | \$ 902   |
| Operating income (loss)          | 55                          | 102                          | 21                      | (25)                       | 153      |
| <b>2011</b>                      |                             |                              |                         |                            |          |
| Revenues                         | \$ 308                      | \$ 825                       | \$ 125                  | \$                         | \$ 1,258 |
| Operating income (loss)          | 128                         | 149                          | 29                      | (47)                       | 259      |

| Nine months ended September 30, | Information Services<br>and |                              |                         |                            | Total    |
|---------------------------------|-----------------------------|------------------------------|-------------------------|----------------------------|----------|
|                                 | Derivatives                 | Cash Trading<br>and Listings | Technology<br>Solutions | Corporate/<br>Eliminations |          |
| <b>2012</b>                     |                             |                              |                         |                            |          |
| Revenues                        | \$ 689                      | \$ 1,797                     | \$ 353                  | \$ 1                       | \$ 2,840 |
| Operating income (loss)         | 211                         | 335                          | 66                      | (100)                      | 512      |
| <b>2011</b>                     |                             |                              |                         |                            |          |
| Revenues                        | \$ 891                      | \$ 2,246                     | \$ 363                  | \$ (2)                     | \$ 3,498 |
| Operating income (loss)         | 384                         | 397                          | 91                      | (147)                      | 725      |

**Note 5 Earnings and Dividend Per Share**

The following is a reconciliation of the basic and diluted earnings per share computations (in millions, except per share data):

| Three months ended September 30, | Three months ended September 30, | Nine months ended September 30, | Nine months ended September 30, |
|----------------------------------|----------------------------------|---------------------------------|---------------------------------|
| 2012                             | 2011                             | 2012                            | 2011                            |

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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Net income   | \$ 112  | \$ 206  | \$ 334  | \$ 506  |
| Net (income) loss attributable to noncontrolling interest  | (4)     | (6)     | (14)    | 2       |
| Net income attributable to NYSE Euronext   | \$ 108  | \$ 200  | \$ 320  | \$ 508  |
| Shares of common stock and common stock equivalents: Weighted average shares used in basic computation | 246     | 262     | 252     | 262     |
| Dilutive effect of: Employee stock options and restricted stock units                                  | 1       | 1       | 1       | 1       |
| Weighted average shares used in diluted computation  | 247     | 263     | 253     | 263     |
| Basic earnings per share attributable to NYSE Euronext   | \$ 0.44 | \$ 0.76 | \$ 1.27 | \$ 1.94 |
| Diluted earnings per share attributable to NYSE Euronext   | \$ 0.44 | \$ 0.76 | \$ 1.26 | \$ 1.93 |
| Dividends per common share   | \$ 0.30 | \$ 0.30 | \$ 0.90 | \$ 0.90 |

As of September 30, 2012 and 2011, 4.7 million and 4.1 million restricted stock units, respectively, and options to purchase 0.2 million and 0.2 million shares of common stock, respectively, were outstanding. For the three and nine months ended September 30, 2012, 0.3 million and 1.0 million awards, respectively, were excluded from the diluted earnings per share computation because their effect would have been anti-dilutive. For the three and nine months ended September 30, 2011, 0.3 million awards were excluded from the diluted earnings per share computation because their effect would have been anti-dilutive.

**Note 6 Pension and Other Benefit Programs**

The components of net periodic (benefit) expense are set forth below (in millions):

|   | Pension Plans |        | SERP Plans |      | Postretirement Benefit Plans |      |
|---|---------------|--------|------------|------|------------------------------|------|
|   | 2012          | 2011   | 2012       | 2011 | 2012                         | 2011 |
| <b>Three months ended September 30,</b> |               |        |            |      |                              |      |
| Service cost                            | \$ 1          | \$ 1   | \$         | \$   | \$                           | \$   |
| Interest cost                           | 10            | 12     | 1          | 1    | 2                            | 2    |
| Expected return on assets               | (14)          | (15)   |            |      |                              |      |
| Actuarial loss                          | 4             | (1)    |            |      |                              |      |
| Curtailement loss                       |               |        |            |      |                              |      |
| Net periodic cost                       | \$ 1          | \$ (3) | \$ 1       | \$ 1 | \$ 2                         | \$ 2 |

|  | Pension Plans |      | SERP Plans |      | Postretirement Benefit Plans |      |
|--|---------------|------|------------|------|------------------------------|------|
|  | 2012          | 2011 | 2012       | 2011 | 2012                         | 2011 |
| <b>Nine months ended September 30,</b> |               |      |            |      |                              |      |
| Service cost                           | \$ 2          | \$ 3 | \$         | \$   | \$                           | \$   |
| Interest cost                          | 32            | 36   | 2          | 3    | 6                            | 6    |
| Expected return on assets              | (41)          | (43) |            |      |                              |      |
| Actuarial loss                         | 10            | 6    | 1          | 1    |                              |      |
| Curtailement loss                      |               |      |            |      | 1                            | 2    |
| Net periodic cost                      | \$ 3          | \$ 2 | \$ 3       | \$ 4 | \$ 7                         | \$ 8 |

During the three and nine months ended September 30, 2012, NYSE Euronext contributed \$1 million and \$38 million, respectively, to its pension plans. During the three and nine months ended September 30, 2011, NYSE Euronext contributed \$2 million and \$41 million, respectively, to its pension plans. Based on current actuarial assumptions, NYSE Euronext anticipates funding an additional \$1 million to its pension plans during the fourth quarter of 2012.

**Note 7 Goodwill and Other Intangible Assets**

The change in the net carrying amount of goodwill by reportable segments was as follows (in millions):

|                                  | Derivatives | Cash Trading and Listings | Information Services and Technology Solutions |      | Total    |
|----------------------------------|-------------|---------------------------|---|------|----------|
|                                  |             |                           |   |      |          |
| Balance as of January 1, 2012    | \$ 2,225    | \$ 1,434                  | \$  | 368  | \$ 4,027 |
| Acquisitions                     |             | 89                        |   | 26   | 115      |
| Currency translation and other   | 67          | (47)                      |   | (23) | (3)      |
| Balance as of September 30, 2012 | \$ 2,292    | \$ 1,476                  | \$  | 371  | \$ 4,139 |

The following table presents the details of the intangible assets as of September 30, 2012 and December 31, 2011 (in millions):

|                                  | Assigned value | Accumulated amortization | Useful Life (in years) |
|----------------------------------|----------------|--------------------------|------------------------|
| Balance as of September 30, 2012 |                |                          |                        |

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|  |          |        |            |
|--|----------|--------|------------|
| National securities exchange registrations | \$ 4,969 | \$     | Indefinite |
| Customer relationships                     | 866      | 253    | 7 to 20    |
| Trade names and other                      | 187      | 54     | 7 to 20    |
| Other intangible assets                    | \$ 6,022 | \$ 307 |            |

|  | Assigned<br>value | Accumulated<br>amortization | Useful Life (in years) |
|--|-------------------|-----------------------------|------------------------|
| <b>Balance as of December 31, 2011</b>     |                   |                             |                        |
| National securities exchange registrations | \$ 4,913          | \$                          | Indefinite             |
| Customer relationships                     | 856               | 213                         | 7 to 20                |
| Trade names and other                      | 188               | 47                          | 7 to 20                |
| Other intangible assets                    | \$ 5,957          | \$ 260                      |                        |

For the three and nine months ended September 30, 2012, amortization expense for the intangible assets was approximately \$14 million and \$46 million, respectively. For the three and nine months ended September 30, 2011, amortization expense for the intangible assets was approximately \$15 million and \$46 million, respectively.

The estimated future amortization expense of acquired purchased intangible assets as of September 30, 2012 was as follows (in millions):

| Year ending December 31,                                   |               |
|--|---------------|
| Remainder of 2012 (from October 1st through December 31st) | \$ 12         |
| 2013   | 58            |
| 2014   | 58            |
| 2015   | 58            |
| 2016   | 58            |
| Thereafter   | 502           |
| <b>Total</b>   | <b>\$ 746</b> |

#### Note 8 Fair Value of Financial Instruments

NYSE Euronext accounts for certain financial instruments at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic defines fair value, establishes a fair value hierarchy on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments is determined using various techniques that involve some level of estimation and judgment, the degree of which is dependent on the price transparency and the complexity of the instruments.

In accordance with the Fair Value Measurements and Disclosures Topic, NYSE Euronext has categorized its financial instruments measured at fair value into the following three-level fair value hierarchy based upon the level of judgment associated with the inputs used to measure the fair value:

Level 1: Inputs are unadjusted quoted prices for identical assets or liabilities in an active market that NYSE Euronext has the ability to access. Generally, equity and other securities listed in active markets and investments in publicly traded mutual funds with quoted market prices are reported in this category.

Level 2: Inputs are either directly or indirectly observable for substantially the full term of the assets or liabilities. Generally, municipal bonds, certificates of deposits, corporate bonds, mortgage securities, asset backed securities and certain derivatives are reported in this category. The valuation of these instruments is based on quoted prices or broker quotes for similar instruments in active markets.

Level 3: Some inputs are both unobservable and significant to the overall fair value measurement and reflect management's best estimate of what market participants would use in pricing the asset or liability. Generally, assets and liabilities carried at fair value and included in this category are certain structured investments, derivatives, commitments and guarantees that are neither eligible for Level 1 or Level 2 due to the valuation techniques used to measure their fair value. The inputs used to value these instruments are both observable and unobservable and may include NYSE Euronext's own projections.

If the inputs used to measure the financial instruments fall within different levels of the fair value hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the valuation inputs may result in a reclassification for certain financial assets or liabilities.

The following table presents NYSE Euronext's fair value hierarchy of those assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011 (in millions):

|               | As of September 30, 2012 |         |         | Total |
|---------------|--------------------------|---------|---------|-------|
|               | Level 1                  | Level 2 | Level 3 |       |
| <b>Assets</b> |                          |         |         |       |

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|   |       |      |    |       |
|---|-------|------|----|-------|
| Mutual Funds (SERP/SESP) <sup>(1)</sup> | \$ 31 | \$   | \$ | \$ 31 |
| Foreign exchange derivative contracts   |       |      |    |       |
| Total Financial investments             | \$ 31 | \$   | \$ | \$ 31 |
| <b>Liabilities</b>                      |       |      |    |       |
| Foreign exchange derivative contracts   | \$    | \$ 2 | \$ | \$ 2  |
| Equity investments <sup>(2)</sup>       | \$ 59 | \$   | \$ | \$ 59 |

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|   | As of December 31, 2011 |         |         | Total |
|---|-------------------------|---------|---------|-------|
|   | Level 1                 | Level 2 | Level 3 |       |
| <b>Assets</b>                           |                         |         |         |       |
| Mutual Funds (SERP/SESP) <sup>(1)</sup> | \$ 34                   | \$      | \$      | \$ 34 |
| Foreign exchange derivative contracts   |                         | 2       |         | 2     |
| Total Financial investments             | \$ 34                   | \$ 2    | \$      | \$ 36 |
| <b>Liabilities</b>                      |                         |         |         |       |
| Foreign exchange derivative contracts   | \$                      | \$ 3    | \$      | \$ 3  |

<sup>(1)</sup> Equity and fixed income mutual funds held for the purpose of providing future payments of Supplemental Executive Retirement Plan (SERP) and Supplemental Executive Savings Plan (SESP).

(2) At September 30, 2012, equity investments represented our investment in Multi Commodity Exchange ( MCX ) of India, which has been recorded at fair value using its quoted market price. Until March 2012, this investment was recorded at cost. The fair value of our long-term debt instruments, categorized as Level 2, was approximately \$2.2 billion as of September 30, 2012. The carrying value of all other financial assets and liabilities approximates fair value.

**Note 9 Derivatives and Hedges**

NYSE Euronext may use derivative instruments to hedge financial risks related to its financial position or risks that are otherwise incurred in the normal course of its operations. NYSE Euronext does not use derivative instruments for speculative purposes and enters into derivative instruments only with counterparties that meet high creditworthiness and rating standards. NYSE Euronext records derivatives and hedges in accordance with Subtopic 65 in the Derivatives and Hedging Topic of the FASB Accounting Standards Codification.

NYSE Euronext records all derivative instruments at fair value on the condensed consolidated statement of financial condition. Certain derivative instruments are designated as hedging instruments under fair value hedging relationships, cash flow hedging relationships or net investment hedging relationships. Other derivative instruments remain undesignated. The details of each designated hedging relationship are formally documented at the inception of the relationship, including the risk management objective, hedging strategy, hedged item, specific risks being hedged, derivative instrument, how effectiveness is being assessed and how ineffectiveness, if any, will be measured. The hedging instrument must be highly effective in offsetting the changes in cash flows or fair value of the hedged item and the effectiveness is evaluated quarterly on a retrospective and prospective basis.

The following presents the aggregated notional amount and the fair value of NYSE Euronext's derivative instruments reported on the condensed consolidated statement of financial condition as of September 30, 2012 (in millions):

| September 30, 2012                                | Notional Amount | Fair Value of Derivative Instruments |                          |
|---|-----------------|--------------------------------------|--------------------------|
|   |                 | Asset <sup>(1)</sup>                 | Liability <sup>(2)</sup> |
| Derivatives not designated as hedging instruments |                 |                                      |                          |
| Foreign exchange contracts                        | \$ 650          | \$                                   | \$ 2                     |
| Derivatives designated as hedging instruments     |                 |                                      |                          |
| Foreign exchange contracts                        |                 |                                      |                          |
| <b>Total derivatives</b>                          | <b>\$ 650</b>   | <b>\$</b>                            | <b>\$ 2</b>              |

(1) Included in Financial investments in the condensed consolidated statements of financial condition.

(2) Included in Short term debt in the condensed consolidated statements of financial condition.

The following presents the aggregated notional amount and the fair value of NYSE Euronext's derivative instruments reported on the condensed consolidated statement of financial condition as of December 31, 2011 (in millions):

| December 31, 2011                                 | Notional Amount | Fair Value of Derivative Instruments |                          |
|---|-----------------|--------------------------------------|--------------------------|
|   |                 | Asset <sup>(1)</sup>                 | Liability <sup>(2)</sup> |
| Derivatives not designated as hedging instruments |                 |                                      |                          |
| Foreign exchange contracts                        | \$ 673          | \$ 2                                 | \$ 3                     |
| Derivatives designated as hedging instruments     |                 |                                      |                          |
| Foreign exchange contracts                        |                 |                                      |                          |
| <b>Total derivatives</b>                          | <b>\$ 673</b>   | <b>\$ 2</b>                          | <b>\$ 3</b>              |

(1) Included in Financial investments in the condensed consolidated statements of financial condition.

(2) Included in Short term debt in the condensed consolidated statements of financial condition.



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Pre-tax gains and losses on derivative instruments designated as hedging items under net investment hedging relationship recognized in other comprehensive income for the three and nine months ended September 30, 2011 were insignificant and were as follows for the three and nine months ended September 30, 2012 (in millions):

|   | Gain/(loss) recognized in other comprehensive income |                           |
|---|--|---------------------------|
|   | Three months ended                                   | Nine months ended         |
| <b>Derivatives designated as hedging instrument</b> |  | <b>September 30, 2012</b> |
| Foreign exchange contracts                          | \$   | \$ (3)                    |

The ineffective portion of the pre-tax gains and losses on derivative instruments designated as hedged items under net investment hedging relationship for the three and nine months ended September 30, 2012 and September 30, 2011 were insignificant.

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Pre-tax gains and losses recognized in income on derivative instruments not designated in hedging relationship for the three and nine months ended September 30, 2012 were as follows (in millions):

|   | <b>Gain/(loss) recognized in income</b> |                          |
|---|---|--------------------------|
|   | <b>Three months ended</b>               | <b>Nine months ended</b> |
| <b>Derivatives not designated as hedging instrument</b> | <b>September 30, 2012</b>               |                          |
| Foreign exchange contracts                              | \$ (4)                                  | \$ (9)                   |

Pre-tax gains and losses on derivative instruments not designated in hedging relationships for the three and nine months ended September 30, 2011 were as follows (in millions):

|   | <b>Gain/(loss) recognized in income</b> |                          |
|---|---|--------------------------|
|   | <b>Three months ended</b>               | <b>Nine months ended</b> |
| <b>Derivatives not designated as hedging instrument</b> | <b>September 30, 2011</b>               |                          |
| Foreign exchange contracts                              | \$ (4)                                  | \$ 11                    |

For the nine months ended September 30, 2012, NYSE Euronext had foreign exchange contracts in place with tenors of less than 3 months in order to hedge various financial positions. Certain contracts were designated as hedging instruments under the Derivatives and Hedging Topic. As of September 30, 2012, NYSE Euronext had 284 million (\$367 million) euro/U.S. dollar contracts outstanding and £175 million (283 million) sterling/Euro dollar forward contracts outstanding which together has a combined negative fair value of \$2 million. These instruments matured in October 2012.

Pre-tax net gains on non-derivative net investment hedging relationships recognized in Other comprehensive income for the three and nine months ended September 30, 2012 were a \$17 million loss and a \$14 million gain, respectively. Pre-tax net gains on non-derivative net investment hedging relationships recognized in Other comprehensive income for the three months ended September 30, 2011 was \$99 million and pre-tax net losses on non-derivative net investment hedging relationships recognized in Other comprehensive income for the nine months ended September 30, 2011 was \$35 million.

For the nine months ended September 30, 2012, NYSE Euronext had no derivative instruments in either fair value hedging relationships or cash flow hedging relationships.

### Note 10 Commitments and Contingencies

For the nine months ended September 30, 2012, NYSE Euronext incorporates herein by reference the discussion set forth in Note 16 ( Commitments and Contingencies - Legal Matters ) to Item 8 of the Form 10-K filed by NYSE Euronext for the year ended December 31, 2011, and Note 10 ( Commitments and Contingencies ) of the Forms 10-Q filed by NYSE Euronext for the periods ended March 31, 2012 and June 30, 2012, respectively, and no other matters were reportable during the period.

In addition to the matters described above and in the prior disclosures incorporated herein by reference, NYSE Euronext is from time to time involved in various legal proceedings that arise in the ordinary course of its business. NYSE Euronext records accrued liabilities for litigation and regulatory matters when those matters represent loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, NYSE Euronext does not establish an accrued liability. As a litigation or regulatory matter develops, NYSE Euronext evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. NYSE Euronext does not believe, based on currently available information, that the results of any of these various proceedings will have a material adverse effect on its financial statements as a whole.

### Note 11 Income taxes

For the three months ended September 30, 2012 and 2011, our effective tax rate was 9.7% and 9.5%, respectively. For the nine months ended September 30, 2012 and 2011, our effective tax rate was 21.5% and 20.0%, respectively.

NYSE Euronext's effective tax rate was lower than the statutory rate primarily due to higher earnings generated from foreign operations, where the applicable foreign jurisdiction tax rate is lower than the statutory rate.

For the three months ended September 30, 2012, our effective tax rate also reflected a \$41 million discrete deferred tax benefit related to an enacted reduction in corporate tax rate from 25% to 23% in the United Kingdom (U.K.), which was partially offset by a \$28 million discrete

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deferred tax expense related to the reorganization of certain of our U.S. businesses. For the nine months ended September 30, 2012, our effective tax rate reflected (i) the same \$41 million benefit related to the enacted reduction in corporate tax rate in the U.K., and (ii) the release of reserves following a favorable settlement reached with the tax authorities in the United Kingdom regarding an uncertain tax position, which were more than offset by (iii) a \$68 million discrete deferred tax expense related to the reorganization of certain of our U.S. businesses.

### **Note 12 Related Party Transactions**

#### *LCH.Clearnet*

On May 27, 2009, NYSE Liffe's London Market (for the purposes of this section, "NYSE Liffe") received regulatory approval from the Financial Services Authority ("FSA") to launch NYSE Liffe Clearing, an arrangement with LCH.Clearnet Ltd ("LCH.Clearnet"), whereby NYSE Liffe assumed full responsibility for clearing activities for the U.K. derivatives market. To achieve this, NYSE Liffe became a self-clearing Recognised Investment Exchange and outsourced the existing clearing guarantee arrangements and related risk functions to LCH.Clearnet.

In May 2010, NYSE Euronext announced plans to establish full-service clearing house facilities in Europe and gave notice to terminate the current out-sourcing arrangements with LCH.Clearnet SA in Paris for European cash and Continental European derivatives clearing. During 2011, these termination dates were extended into 2013 by mutual agreement and NYSE Euronext's plans were put on hold, but following the announcement of the terminated Proposed Business Combination, NYSE Euronext reviewed the strategic options available to it for clearing and determined to

re-launch the project to develop a full service derivatives clearing house in London (a Recognised Clearing House (RCH), as defined by the FSA). In connection with the re-launch of the project, NYSE Euronext reached an agreement to further extend the termination date for the out-sourcing arrangement with LCH.Clearnet SA in Paris until March 2014 for Continental European derivatives clearing.

On June 29, 2012, NYSE Euronext gave formal notice of termination with respect to the services currently received from LCH.Clearnet under the Clearing Relationship Agreement to support NYSE Liffe Clearing, NYSE Euronext's London-based derivatives clearing service. Subject to regulatory approval, NYSE Liffe intends to expand NYSE Liffe Clearing to commence functioning as a fully integrated Central Counterparty, NYSE Clearing, from the end of June 2013, including assuming responsibility for default management arrangements, risk management, collateral and treasury activities and banking and payment systems.

As of September 30, 2012, NYSE Euronext had a 9.1% stake in LCH.Clearnet Group Limited's outstanding share capital and the right to appoint one director to its board of directors.

*Qatar*

See Note 2 *Strategic Investments and Divestitures*.

*New York Portfolio Clearing ( NYPC )*

NYPC, NYSE Euronext's joint venture with The Depository Trust & Clearing Corporation ( DTCC ), became operational in the first quarter of 2011. NYPC clears fixed income derivatives traded on NYSE Liffe US and will have the ability to provide clearing services for other exchanges and Derivatives Clearing Organizations in the future. NYPC uses NYSE Euronext's clearing technology, TRS/CPS, to process and manage cleared positions and post-trade position transfers. DTCC's Fixed Income Clearing Corporation provides capabilities in risk management, settlement, banking and reference data systems. As of September 30, 2012, NYSE Euronext had a minority ownership interest in, and board representation on, DTCC.

The following presents revenues derived and expenses incurred from these related parties (in millions):

| Income (expenses) | Three months ended September 30, |         | Nine months ended September 30, |         |
|-------------------|----------------------------------|---------|---------------------------------|---------|
|                   | 2012                             | 2011    | 2012                            | 2011    |
| LCH.Clearnet      | \$ (11)                          | \$ (12) | \$ (33)                         | \$ (35) |
| Qatar             | 1                                | 2       | 2                               | 6       |
| NYPC              | (1)                              |         | 1                               | 1       |

**Note 13 Subsequent Event**

On October 5, 2012, NYSE Euronext issued \$850 million of 2.0% senior unsecured notes due in October 2017. The net proceeds from the offering were used, in part, to purchase approximately \$336 million of the outstanding 4.8% notes due in June 2013 and 80 million of the outstanding 5.375% notes due in June 2015 in concurrent cash tender offers.

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

*You should read the following discussion together with the condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements. Actual results may differ from such forward-looking statements. See Forward-Looking Statements and the information under Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011 and under Part II, Item 1A of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012, Risk Factors. Certain prior period amounts presented in the discussion and analysis have been reclassified to conform to the current presentation.*

### Overview

NYSE Euronext is a global markets operator and provider of trading technology to the financial services industry. Headquartered in New York, we run markets in the United States, France, the U.K., the Netherlands, Belgium and Portugal covering a wide range of financial products from stocks to derivatives. We also provide critical technology infrastructure around the world to our clients and exchange partners including co-location services, connectivity, trading platforms and market data content and services. NYSE Euronext was formed from the combination of the businesses of NYSE Group and Euronext, which was consummated on April 4, 2007. Prior to that date, NYSE Euronext had no significant assets and did not conduct any material activities other than those incidental to its formation. Following consummation of the combination, NYSE Euronext became the parent company of NYSE Group and Euronext and each of their respective subsidiaries. Under the purchase method of accounting, NYSE Group was treated as the accounting and legal acquirer in the combination with Euronext. NYSE Euronext has numerous operating subsidiaries in the United States and Europe, including the American Stock Exchange, which is now known as NYSE MKT.

We operate under three reportable segments: Derivatives, Cash Trading and Listings, and Information Services and Technology Solutions. We evaluate the performance of our operating segments based on revenue and operating income. We have aggregated all of our corporate costs, including the costs to operate as a public company, within Corporate/ Eliminations.

The following is a description of our reportable segments:

Derivatives consist of the following in NYSE Euronext's global businesses:

providing access to trade execution in derivatives products, options and futures;

providing certain clearing services for derivative products; and

selling and distributing market data and related information.

Cash Trading and Listings consist of the following in NYSE Euronext's global businesses:

providing access to trade execution in cash trading;

providing settlement of transactions in certain European markets;

obtaining new listings and servicing existing listings;

selling and distributing market data and related information; and

providing regulatory services.

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Information Services and Technology Solutions consist of the following in NYSE Euronext's global businesses:

operating sellside and buy-side connectivity networks for our markets and for other major market centers and market participants in the United States, Europe and Asia;

providing trading and information technology software and solutions;

selling and distributing market data and related information to data subscribers for proprietary data products; and

providing multi-asset managed services and expert consultancy to exchanges and liquidity centers.

For a discussion of these segments, see Note 4 to the condensed consolidated financial statements.

### Factors Affecting Our Results

The business environment in which NYSE Euronext operates directly affects its results of operations. Our results have been and will continue to be affected by many factors, including the level of trading activity in our markets, which during any period is significantly influenced by general market conditions, competition, market share and the pace of industry consolidation; broad trends in the brokerage and finance industry; price levels and price volatility; the number and financial health of companies listed on NYSE Euronext's cash markets; changing technology in the financial services industry; and legislative and regulatory changes, among other factors. In particular, in recent years, the business environment has been characterized by increasing competition among global markets for trading volumes and listings; the globalization of exchanges, customers and competitors; market participants' demand for speed, capacity and reliability, which requires continuing investment in technology; and increasing competition for market data revenues. The maintenance and growth of our revenues could also be impacted if we face increased pressure on pricing.

Uncertainty in the U.S. credit markets that commenced with the upheaval in 2008 continues to impact the economy. Equity market indices have experienced volatility and the market has remained volatile throughout 2012. Economic uncertainty in the European Union may also continue to negatively affect global financial markets. In addition, regulatory uncertainty is affecting our clients' activities, business models and technology spending. While markets may improve, these factors have adversely affected our revenues and operating income and may negatively impact future growth.

As a result of recent events, there has been, and it is likely that there will continue to be, significant change in the regulatory environment in which we operate. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law in July 2010. Although many of its provisions require the adoption of rules to implement, and it contains substantial ambiguities, many of which will not be resolved until regulations are adopted, such reforms could adversely affect our business or result in increased costs and the expenditure of significant resources. In addition, there are significant structural changes underway within the European regulatory framework.

While we have not experienced reductions in our borrowing capacity, lenders in general have taken actions that indicate their concerns regarding liquidity in the marketplace. These actions have included reduced advance rates for certain security types, more stringent requirements for collateral eligibility and higher interest rates. Should lenders continue to take additional similar actions, the cost of conducting our business may increase and our ability to implement our business initiatives could be limited.

We expect that all of these factors will continue to impact our businesses. Any potential growth in the global cash markets will likely be tempered by investor uncertainty resulting from volatility in the cost of energy and commodities, unemployment concerns and contagion concerns in relation to the sovereign debt issues faced by some members of the Eurozone, uncertainty as to near term tax, regulatory, and other government policies, as well as the general state of the world economy. We continue to focus on our strategy to broaden and diversify our revenue streams, as well as on our company-wide expense reduction initiatives in order to mitigate these uncertainties.

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## Sources of Revenues

### *Transaction and Clearing Fees*

Our transaction and clearing fees consist of fees collected from our cash trading, derivatives trading and clearing fees.

*Cash trading.* Revenues for cash trading consist of transaction charges for executing trades on our cash markets, as well as transaction charges related to orders on our U.S. cash markets which are routed to other market centers for execution. Additionally, our U.S. cash markets pay fees to the SEC pursuant to Section 31 of the Exchange Act. These fees are designed to recover the costs to the government of supervision and regulation of securities markets and securities professionals. Activity assessment fees are collected from member organizations executing trades on our U.S. cash markets, and are recognized when these amounts are invoiced. Fees received are included in cash at the time of receipt and, as required by law, the amount due to the SEC is remitted semiannually and recorded as an accrued liability until paid. The activity assessment fees are designed so that they are equal to the Section 31 fees. As a result, activity assessment fees and Section 31 fees do not have an impact on NYSE Euronext's net income.

*Derivatives trading and clearing.* Revenues from derivatives trading and clearing consist of per-contract fees for executing trades of derivatives contracts and clearing charges on the London market of NYSE Liffe and NYSE Liffe US and executing options contracts traded on NYSE Arca and NYSE MKT. In some cases, these fees are subject to caps.

Revenues for per-contract fees are driven by the number of trades executed and fees charged per contract. The principal types of derivative contracts traded and cleared are equity and index products and short-term interest rate products. Trading in equity products is primarily driven by price volatility in equity markets and indices and trading in short-term interest rate products is primarily driven by volatility resulting from uncertainty over the direction of short-term interest rates. The level of trading and clearing activity for all products is also influenced by market conditions and other factors. See [Factors Affecting Our Results](#) above.

### *Market Data*

We generate revenues from the dissemination of our market data in the U.S. and Europe to a variety of users. In the U.S., we collect market data fees principally for consortium-based data products and, to a lesser extent, for NYSE proprietary data products. Consortium-based data fees are dictated as part of the securities industry plans and charged to vendors based on their redistribution of data. Consortium-based data revenues from the dissemination of market data (net of administrative costs) are distributed to participating markets on the basis of a formula set by the SEC under Regulation NMS. Last sale prices and quotes in NYSE-listed, NYSE MKT-listed, and NYSE Arca-listed securities are disseminated through [Tape A](#) and [Tape B](#), which constitute the majority of NYSE Euronext's U.S. revenues from consortium-based market data revenues. We also receive a share of the revenues from [Tape C](#), which represents data related to trading of certain securities that are listed on Nasdaq. These revenues are influenced by demand for the data by professional and nonprofessional subscribers. In addition, we receive fees for the display of data on television and for vendor access. Our proprietary products make market data available to subscribers covering activity that takes place solely on our U.S. markets, independent of activity on other markets. Our proprietary data products also include depth of book information, historical price information and corporate action information.

NYSE Euronext offers NYSE Realtime Reference Prices, which allows internet and media organizations to buy real-time, last-sale market data from NYSE and provide it broadly and free of charge to the public. CNBC, Google Finance and nyse.com display NYSE Realtime stock prices on their respective websites.

In Europe, we charge a variety of users, primarily the end-users, for the use of Euronext's real-time market data services. We also collect annual license fees from vendors for the right to distribute Euronext market data to third parties and a service fee from vendors for direct connection to market data. A substantial majority of European market data revenues is derived from monthly end-user fees. We also derive revenues from selling historical and reference data about securities, and by publishing the daily official lists for the Euronext markets. The principal drivers of market data revenues are the number of end-users and the prices for data packages.

### *Listings*

There are two types of fees applicable to companies listed on our U.S. and European securities exchanges—listing fees and annual fees. Listing fees consist of two components: original listing fees and fees related to other corporate-related actions. Original listing fees, subject to a minimum and maximum amount, are based on the number of shares that a company initially lists. Original listing fees, however, are generally not applicable to companies that transfer to one of our U.S. securities exchanges from another market, except for companies transferring to NYSE MKT from the over-the-counter market. Other corporate action related fees are paid by listed companies in connection with corporate



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actions involving the issuance of new shares to be listed, such as stock splits, rights issues and sales of additional securities, as well as mergers and acquisitions, which are subject to a minimum and maximum fee.

In the U.S., annual fees are charged based on the number of outstanding shares of listed U.S. companies at the end of the prior year. Non-U.S. companies pay fees based on the number of listed securities issued or held in the U.S. Annual fees are recognized as revenue on a pro rata basis over the calendar year.

Original fees are recognized as revenue on a straight-line basis over estimated service periods of ten years for the NYSE and the Euronext cash equities markets and five years for NYSE Arca and NYSE MKT. Unamortized balances are recorded as deferred revenue on the condensed consolidated statements of financial condition.

Listing fees for our European markets comprise admission fees paid by issuers to list securities on the cash market, annual fees paid by companies whose financial instruments are listed on the cash market, and corporate activity and other fees, consisting primarily of fees charged by Euronext Paris and Euronext Lisbon for centralizing shares in IPOs and tender offers. Original listing fees, subject to a minimum and maximum amount, are based on a company's market capitalization at the time of its IPO. Revenues from annual listing fees relate to the number of shares outstanding and the market capitalization of the listed company.

In general, Euronext Paris, Euronext Amsterdam, Euronext Brussels and Euronext Lisbon have adopted a common set of listing fees. Under the harmonized fee book, domestic issuers (i.e., those from France, the Netherlands, Belgium and Portugal) pay admission fees to list their securities based on the market capitalization of the respective issuer. Subsequent listings of securities receive a discount on admission fees. Domestic issuers also pay annual fees based on the number of equity securities and their respective market capitalizations. Non-domestic companies listing in connection with raising capital are charged admission and annual fees on a similar basis, although they are generally charged lower maximum admission fees and annual fees. Non-domestic companies that are in the Euronext 100 index are treated as domestic. Euronext Paris and Euronext Lisbon also charge centralization fees for collecting and allocating retail investor orders in IPOs and tender offers.

The revenue NYSE Euronext derives from listing fees is primarily dependent on the number and size of new company listings, as well as on the level of other corporate-related activity of existing listed issuers. The number and size of new company listings and other corporate-related activity in any period depend primarily on factors outside of NYSE Euronext's control, including general economic conditions in Europe and the U.S. (in particular, stock market conditions) and the success of competing stock exchanges in attracting and retaining listed companies.

#### *Technology Services*

Revenues are generated primarily from connectivity services related to the SFTI and FIX networks, software licenses and maintenance fees, as well as from consulting services. Colocation revenue is recognized monthly over the life of the contract. We also generate revenues from software license contracts and maintenance agreements. We provide software that allows customers to receive comprehensive market-agnostic connectivity, transaction and data management solutions. Software license revenues are recognized at the time of client acceptance and maintenance agreement revenues are recognized monthly over the life of the maintenance term subsequent to acceptance. Consulting services are offered for customization or installation of the software and for general advisory services. Consulting revenue is generally billed in arrears on a time and materials basis, although customers sometimes prepay for blocks of consulting services in bulk. NYSE Euronext records revenues from subscription agreements on a pro rata basis over the life of the subscription agreements. The unrealized portions of invoiced subscription fees, maintenance fees and prepaid consulting fees are recorded as deferred revenue on the consolidated statements of financial condition.

#### *Other Revenues*

Other revenues include trading license fees, fees for facilities, fees for servicing existing listed companies (including fees from the recent acquisition of Corpedia) and other services provided to designated market makers (DMMs), brokers and clerks physically located on the floors of our U.S. markets that enable them to engage in the purchase and sale of securities on the trading floor, the revenues of our former NYSE Blue joint venture (our results for the current quarter include only BlueNext) and fees for clearance and settlement activities in our European markets, as well as regulatory revenues. Regulatory fees are charged to member organizations of our U.S. securities exchanges.

### **Components of Expenses**

#### *Section 31 Fees*

See Sources of Revenues Transaction and Clearing Fees above.

#### *Liquidity Payments, Routing and Clearing*

We offer our customers a variety of liquidity payment structures, tailored to specific market and product characteristics in order to attract order flow, enhance liquidity and promote use of our markets. We charge a per share or per contract execution fee to the market participant who takes the liquidity on certain of our trading platforms and, in turn, we pay, on certain of our markets, a portion of this per share or per contract execution fee to the market participant who provides the liquidity.

We also incur routing charges in the U.S. when we do not have the best bid or offer in the market for a security that a customer is trying to buy or sell on one of our U.S. securities exchanges. In that case, we route the customer's order to the external market center that displays the best bid or offer. The external market center charges us a fee per share (denominated in tenths of a cent per share) for routing to its system. We include costs incurred due to erroneous trade execution within routing and clearing. Furthermore, NYSE Arca incurs clearance, brokerage and related transaction expenses, which primarily include costs incurred in self-clearing activities, and per trade service fees paid to exchanges for trade execution.

#### *Other Operating Expenses*

Other operating expenses include compensation, depreciation and amortization, systems and communications, professional services, selling, general and administrative, and merger expenses and exit costs.

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### *Compensation*

Compensation expense includes employee salaries, incentive compensation (including stock-based compensation) and related benefits expense, including pension, medical, post-retirement medical and supplemental executive retirement plan ( SERP ) charges. Part-time help, primarily related to security personnel at the NYSE, is also recorded as part of compensation.

### *Depreciation and Amortization*

Depreciation and amortization expenses consist of costs from depreciating fixed assets (including computer hardware and capitalized software) and amortizing intangible assets over their estimated useful lives.

### *Systems and Communications*

Systems and communications expense includes costs for development and maintenance of trading, regulatory and administrative systems; investments in system capacity, reliability and security; and cost of network connectivity between our customers and data centers, as well as connectivity to

various other market centers. Systems and communications expense also includes fees paid to third-party providers of networks and information technology resources, including fees for consulting, research and development services, software rental costs and licenses, hardware rental and related fees paid to third-party maintenance providers.

*Professional Services*

Professional services expense includes consulting charges related to various technological and operational initiatives, including fees paid to LCH.Clearnet in connection with certain clearing guarantee arrangements and FINRA in connection with the performance of certain member firm regulatory functions, as well as legal and audit fees.

*Selling, General and Administrative*

Selling, general and administrative expenses include (i) occupancy costs, (ii) marketing costs consisting of advertising, printing and promotion expenses, (iii) insurance premiums, travel and entertainment expenses, co-branding, investor education and advertising expenses with NYSE listed companies, (iv) general and administrative expenses and (v) regulatory fine income levied by NYSE Regulation. Regulatory fine income must be used for regulatory purposes. Subsequent to the July 30, 2007 asset purchase agreement with FINRA, the amount of regulatory fine income has been relatively immaterial.

*Merger Expenses and Exit Costs*

Merger expenses and exit costs consist of severance costs and related curtailment losses, contract termination costs, depreciation charges triggered by the acceleration of certain fixed asset useful lives, as well as legal and other professional fees and expenses directly attributable to business combinations and cost reduction initiatives.

**Results of Operations**Three Months Ended September 30, 2012 Versus Three Months Ended September 30, 2011

The following table sets forth NYSE Euronext's condensed consolidated statements of operations for the three months ended September 30, 2012 and 2011, as well as the percentage increase or decrease for each condensed consolidated statement of operations item for the three months ended September 30, 2012, as compared to such item for the three months ended September 30, 2011.

| (Dollars in Millions)                                     | Three months<br>ended<br>September 30, |               | Percent<br>Increase<br>(Decrease) |
|---|--|---------------|-----------------------------------|
|   | 2012                                   | 2011          |                                   |
| <b>Revenues</b>   |  |               |                                   |
| Transaction and clearing fees                             | \$ 570                                 | \$ 904        | (37)%                             |
| Market data   | 85                                     | 93            | (9)%                              |
| Listing   | 112                                    | 113           | (1)%                              |
| Technology services                                       | 81                                     | 92            | (12)%                             |
| Other revenues  | 54                                     | 56            | (4)%                              |
| <b>Total revenues</b>                                     | <b>902</b>                             | <b>1,258</b>  | <b>(28)%</b>                      |
| Transaction-based expenses:                               |  |               |                                   |
| Section 31 fees   | 74                                     | 109           | (32)%                             |
| Liquidity payments, routing and clearing                  | 269                                    | 445           | (40)%                             |
| <b>Total revenues, less transaction-based expenses</b>    | <b>559</b>                             | <b>704</b>    | <b>(21)%</b>                      |
| Other operating expenses:                                 |  |               |                                   |
| Compensation  | 145                                    | 160           | (9)%                              |
| Depreciation and amortization                             | 64                                     | 72            | (11)%                             |
| Systems and communications                                | 44                                     | 46            | (4)%                              |
| Professional services                                     | 76                                     | 77            | (1)%                              |
| Selling, general and administrative                       | 59                                     | 61            | (3)%                              |
| Merger expenses and exit costs                            | 18                                     | 29            | (38)%                             |
| <b>Total other operating expenses</b>                     | <b>406</b>                             | <b>445</b>    | <b>(9)%</b>                       |
| <b>Operating income</b>                                   | <b>153</b>                             | <b>259</b>    | <b>(41)%</b>                      |
| Net interest and investment income (loss)                 | (28)                                   | (29)          | (3)%                              |
| Loss from associates                                      | (2)                                    | (2)           | %                                 |
| Other income (loss)                                       | 1                                      | (1)           | 200%                              |
| Income before income taxes                                | 124                                    | 227           | (45)%                             |
| Income tax provision                                      | (12)                                   | (21)          | (43)%                             |
| <b>Net income</b>   | <b>112</b>                             | <b>206</b>    | <b>(46)%</b>                      |
| Net (income) loss attributable to noncontrolling interest | (4)                                    | (6)           | (33)%                             |
| <b>Net income attributable to NYSE Euronext</b>           | <b>\$ 108</b>                          | <b>\$ 200</b> | <b>(46)%</b>                      |

## Highlights

For the three months ended September 30, 2012, NYSE Euronext reported total revenues, less transaction-based expenses, operating income and net income attributable to NYSE Euronext of \$559 million, \$153 million and \$108 million, respectively. This compares to total revenues, less transaction-based expenses, operating income and net income attributable to NYSE Euronext of \$704 million, \$259 million and \$200 million, respectively, for the three months ended September 30, 2011.

The \$145 million decrease in total revenues, less transaction-based expenses, \$106 million decrease in operating income and \$92 million decrease in net income attributable to NYSE Euronext for the period reflects the following principal factors:

*Decreased total revenues, less transaction-based expenses* Total revenues, less transaction-based expenses, decreased primarily due to lower volumes across most of our trading venues and the negative impact of foreign currency (\$20 million).

*Decreased operating income* The period-over-period decrease in operating income of \$106 million was primarily due to lower total revenues, less transaction-based expenses, partially offset by reduced operating expenses. Excluding the net impact of merger and exit activities, foreign currency (\$10 million) and new business initiatives (\$11 million), our other operating expenses decreased \$29 million or 7% as compared to the three months ended September 30, 2011.

*Decreased net income attributable to NYSE Euronext* The period-over-period decrease in net income attributable to NYSE Euronext of \$92 million was mainly due to decreased operating income, partially offset by a lower effective tax rate as a result of certain discrete income which was not tax effected.

## Segment Results

We operate under three reportable segments: Derivatives, Cash Trading and Listings, and Information Services and Technology Solutions. We evaluate the performance of our operating segments based on revenue and operating income. For discussion of these segments, see Note 4 to the condensed consolidated financial statements and [Overview](#) above.

| Segment Revenues (in millions)                | Three months ended September 30, |          | % of Total Revenues |      |
|---|----------------------------------|----------|---------------------|------|
|   | 2012                             | 2011     | 2012                | 2011 |
| Derivatives                                   | \$ 220                           | \$ 308   | 24%                 | 24%  |
| Cash Trading and Listings                     | 569                              | 825      | 63%                 | 66%  |
| Information Services and Technology Solutions | 113                              | 125      | 13%                 | 10%  |
| Total segment revenues                        | \$ 902                           | \$ 1,258 | 100%                | 100% |

### Derivatives

| (in millions)                                   | Three months ended September 30, |        |                     | % of Revenues |      |
|---|----------------------------------|--------|---------------------|---------------|------|
|   | 2012                             | 2011   | Increase (decrease) | 2012          | 2011 |
| Transaction and clearing fees                   | \$ 198                           | \$ 288 | (31)%               | 90%           | 94%  |
| Market data                                     | 11                               | 11     | %                   | 5%            | 4%   |
| Other revenues                                  | 11                               | 9      | 22 %                | 5%            | 2%   |
| Total revenues                                  | 220                              | 308    | (29)%               | 100%          | 100% |
| Transaction-based expenses:                     |                                  |        |                     |               |      |
| Liquidity payments, routing and clearing        | 56                               | 82     | (32)%               | 25%           | 27%  |
| Total revenues, less transaction-based expenses | 164                              | 226    | (27)%               | 75%           | 73%  |

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|                                |       |        |       |     |     |
|--------------------------------|-------|--------|-------|-----|-----|
| Total other operating expenses | 109   | 98     | 11 %  | 50% | 32% |
| Operating income               | \$ 55 | \$ 128 | (57)% | 25% | 41% |

For the three months ended September 30, 2012, Derivatives operating income decreased \$73 million to \$55 million, and operating income as a percentage of revenues in 2012 decreased 16 percentage points to 25%. Compared to the three months ended September 30, 2011, the \$73 million reduction in operating income was mainly driven by (i) a decrease in our total revenues, less transaction-based expenses, reflecting a \$45 million decrease in European derivatives as a result of a 22% decrease in average daily volume and average net revenue capture per contract as well as reduced clearing fees, (ii) a \$16 million decline in U.S. equity options trading net revenue driven by a 27% decrease in average daily volume and a decline in average net capture per U.S. equity option contract as well as (iii) the \$4 million negative impact of foreign currency. Other operating expenses for the three months ended September 30, 2012 increased \$11 million, reflecting (i) increased merger and exit costs as we implement cost reduction initiatives and (ii) additional expenses to support new business initiatives including the development costs of our new clearing facilities for our European derivatives business.

**Cash Trading and Listings**

| (in millions)  | Three months ended September 30, |               |                        |               |             |
|--|----------------------------------|---------------|------------------------|---------------|-------------|
|  | 2012                             | 2011          | Increase<br>(decrease) | % of Revenues |             |
|  |                                  |               |                        | 2012          | 2011        |
| Transaction and clearing fees                          | \$ 372                           | \$ 616        | (40)%                  | 65%           | 75%         |
| Market data  | 42                               | 49            | (14)%                  | 7%            | 6%          |
| Listing  | 112                              | 113           | (1)%                   | 20%           | 14%         |
| Other revenues   | 43                               | 47            | (9)%                   | 8%            | 5%          |
| <b>Total revenues</b>                                  | <b>569</b>                       | <b>825</b>    | <b>(31)%</b>           | <b>100%</b>   | <b>100%</b> |
| Transaction-based expenses:                            |                                  |               |                        |               |             |
| Section 31 fees  | 74                               | 109           | (32)%                  | 13%           | 13%         |
| Liquidity payments, routing and clearing               | 213                              | 363           | (41)%                  | 37%           | 44%         |
| <b>Total revenues, less transaction-based expenses</b> | <b>282</b>                       | <b>353</b>    | <b>(20)%</b>           | <b>50%</b>    | <b>43%</b>  |
| Total other operating expenses                         | 180                              | 204           | (12)%                  | 32%           | 25%         |
| <b>Operating income</b>                                | <b>\$ 102</b>                    | <b>\$ 149</b> | <b>(32)%</b>           | <b>18%</b>    | <b>18%</b>  |

For the three months ended September 30, 2012, Cash Trading and Listings operating income as a percentage of revenues remained flat as compared to the three months ended September 30, 2011, despite a period-over-period decrease in operating income of \$47 million to \$102 million. The reduction in operating income is primarily due to a decrease in our total revenues, less transaction-based expenses, of \$71 million as a result of lower average daily trading volumes across our cash trading venues and the negative impact of foreign currency of \$6 million, partially offset by a decrease in other operating expenses of \$24 million for the three months ended September 30, 2012, reflecting the results of operating efficiencies.

**Information Services and Technology Solutions**

| (in millions)                  | Three months ended September 30, |              |                        |               |             |
|--------------------------------|----------------------------------|--------------|------------------------|---------------|-------------|
|                                | 2012                             | 2011         | Increase<br>(decrease) | % of Revenues |             |
|                                |                                  |              |                        | 2012          | 2011        |
| Market data                    | \$ 32                            | \$ 33        | (3)%                   | 28%           | 26%         |
| Technology services            | 81                               | 92           | (12)%                  | 72%           | 74%         |
| <b>Total revenues</b>          | <b>113</b>                       | <b>125</b>   | <b>(10)%</b>           | <b>100%</b>   | <b>100%</b> |
| Total other operating expenses | 92                               | 96           | (4)%                   | 81%           | 77%         |
| <b>Operating income</b>        | <b>\$ 21</b>                     | <b>\$ 29</b> | <b>(28)%</b>           | <b>19%</b>    | <b>23%</b>  |

For the three months ended September 30, 2012, Information Services and Technology Solutions operating income decreased \$8 million to \$21 million, and operating income as a percentage of revenues in 2012 decreased 4 percentage points to 19%. This decrease was primarily due to a \$12 million decrease in total revenues (including a \$5 million negative impact of foreign currency) as a result of weak market conditions and the reduction by customers of their technology expenditures, partially offset by a decrease in other operating expenses.

**Corporate / Eliminations**



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| (in millions)                             | Three months ended September 30, |         |                          |
|---|----------------------------------|---------|--------------------------|
|   | 2012                             | 2011    | Increase<br>(decrease) % |
| Revenues, less transaction-based expenses | \$                               | \$      | %                        |
| Total revenues                            |                                  |         | %                        |
| Total other operating expenses            | 25                               | 47      | (47)%                    |
| Operating loss                            | \$ (25)                          | \$ (47) | (47)%                    |

Corporate and eliminations include unallocated costs primarily related to corporate governance, public company expenses and costs associated with our pension, SERP and postretirement benefit plans and intercompany eliminations of revenues and expenses. Operating expenses for the three months ended September 30, 2012 decreased \$22 million to \$25 million compared to the same period a year ago. Such decrease was primarily associated with lower merger expenses and exit costs. The 2011 merger expenses included legal, investment banking and other professional fees and costs incurred in connection with the terminated Proposed Business Combination with Deutsche Börse.

## **Non-Operating Income and Expenses**

### **Net Interest and Investment Income (Loss)**

Interest expense is primarily attributable to the interest expense on the debt incurred in connection with \$750 million of fixed rate bonds due in June 2013 and 1,000 million of fixed rate bonds due in June 2015. See Liquidity and Capital Resources.

### **Loss from Associates**

For the three months ended September 30, 2012, the loss from associates remained in line with the same period a year ago. Such loss primarily reflects the impact of our investment in NYPC.

### **Other Income**

For the three months ended September 30, 2012, other income was \$1 million, compared to a \$1 million loss for the three months ended September 30, 2011. Other income consists primarily of foreign exchange gains and losses and dividends on certain investments, which may vary period-over-period.

### **Noncontrolling Interest**

For the three months ended September 30, 2012, NYSE Euronext recorded noncontrolling interest income of \$4 million as compared to a \$6 million for the same period a year ago. This mainly reflects the operating income generated by NYSE Amex Options partially offset by the operating losses of NYSE Liffe US and BlueNext.

### **Income Taxes**

For the three months ended September 30, 2012 and 2011, NYSE Euronext provided for income taxes at an estimated tax rate of 9.7% and 9.5%, respectively. NYSE Euronext's effective tax rate was lower than the statutory rate primarily due to higher earnings generated from foreign operations, where the applicable foreign jurisdiction tax rate is lower than the statutory rate. For the three months ended September 30, 2012, our effective tax rate also reflected a \$41 million discrete deferred tax benefit related to an enacted reduction in the corporate tax rate from 25% to 23% in the United Kingdom, which was partially offset by a \$28 million discrete deferred tax expense related to the reorganization of certain of our U.S. businesses.

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Nine Months Ended September 30, 2012 Versus Nine Months Ended September 30, 2011

The following table sets forth NYSE Euronext's condensed consolidated statements of operations for the nine months ended September 30, 2012 and 2011, as well as the percentage increase or decrease for each condensed consolidated statement of operations item for the nine months ended September 30, 2012, as compared to such item for the nine months ended September 30, 2011.

| (Dollars in Millions)                                     | Nine months ended<br>September 30, |               | Percent<br>Increase<br>(Decrease) |
|---|------------------------------------|---------------|-----------------------------------|
|   | 2012                               | 2011          |                                   |
| <b>Revenues</b>   |                                    |               |                                   |
| Transaction and clearing fees                             | \$ 1,828                           | \$ 2,461      | (26)%                             |
| Market data   | 263                                | 281           | (6)%                              |
| Listing   | 334                                | 334           | %                                 |
| Technology services                                       | 254                                | 263           | (3)%                              |
| Other revenues  | 161                                | 159           | 1%                                |
| <b>Total revenues</b>                                     | <b>2,840</b>                       | <b>3,498</b>  | <b>(19)%</b>                      |
| <b>Transaction-based expenses:</b>                        |                                    |               |                                   |
| Section 31 fees   | 226                                | 287           | (21)%                             |
| Liquidity payments, routing and clearing                  | 852                                | 1,167         | (27)%                             |
| <b>Total revenues, less transaction-based expenses</b>    | <b>1,762</b>                       | <b>2,044</b>  | <b>(14)%</b>                      |
| <b>Other operating expenses:</b>                          |                                    |               |                                   |
| Compensation  | 457                                | 480           | (5)%                              |
| Depreciation and amortization                             | 196                                | 212           | (8)%                              |
| Systems and communications                                | 133                                | 143           | (7)%                              |
| Professional services                                     | 218                                | 219           | %                                 |
| Selling, general and administrative                       | 185                                | 197           | (6)%                              |
| Merger expenses and exit costs                            | 61                                 | 68            | (10)%                             |
| <b>Total other operating expenses</b>                     | <b>1,250</b>                       | <b>1,319</b>  | <b>(5)%</b>                       |
| <b>Operating income</b>                                   | <b>512</b>                         | <b>725</b>    | <b>(29)%</b>                      |
| Net interest and investment income (loss)                 | (84)                               | (88)          | (5)%                              |
| Loss from associates                                      | (5)                                | (5)           | %                                 |
| Net loss on disposal activities                           | (2)                                |               | (100)%                            |
| Other income  | 4                                  |               | 100%                              |
| <b>Income before income taxes</b>                         | <b>425</b>                         | <b>632</b>    | <b>(33)%</b>                      |
| Income tax provision                                      | (91)                               | (126)         | (28)%                             |
| <b>Net income</b>   | <b>334</b>                         | <b>506</b>    | <b>(34)%</b>                      |
| Net (income) loss attributable to noncontrolling interest | (14)                               | 2             | NM                                |
| <b>Net income attributable to NYSE Euronext</b>           | <b>\$ 320</b>                      | <b>\$ 508</b> | <b>(37)%</b>                      |

NM = Not Meaningful.

## Highlights

For the nine months ended September 30, 2012, NYSE Euronext reported total revenues, less transaction-based expenses, operating income and net income attributable to NYSE Euronext of \$1,762 million, \$512 million and \$320 million, respectively. This compares to total revenues, less transaction-based expenses, operating income and net income attributable to NYSE Euronext of \$2,044 million, \$725 million and \$508 million, respectively, for the nine months ended September 30, 2011.

The \$282 million decrease in total revenues, less transaction-based expenses, \$213 million decrease in operating income, and \$188 million decrease in net income attributable to NYSE Euronext for the period reflects the following principal factors:

*Decreased total revenues, less transaction-based expenses* Total revenues, less transaction-based expenses, decreased primarily due to lower volumes across most of our trading venues and the negative impact of foreign currency (\$51 million).

*Decreased operating income* The period-over-period decrease in operating income of \$213 million was primarily due to lower total revenues, less transaction-based expenses, partially offset by reduced operating expenses. Excluding the net impact of merger and exit activities, foreign currency (\$26 million) and new business initiatives (\$29 million), our other operating expenses decreased \$65 million or 5% as compared to the nine months ended September 30, 2011.

*Decreased net income attributable to NYSE Euronext* The period-over-period decrease in net income attributable to NYSE Euronext of \$188 million was mainly due to decreased operating income, partially offset by a lower effective tax rate.

## Segment Results

We operate under three reportable segments: Derivatives, Cash Trading and Listings, and Information Services and Technology Solutions. We evaluate the performance of our operating segments based on revenue and operating income. For discussion of these segments, see Note 4 to the condensed consolidated financial statements and [Overview](#) above.

| Segment Revenues (in millions)                | Nine months ended September 30,<br>% of Total Revenues |          |      |      |
|---|--|----------|------|------|
|   | 2012   | 2011     | 2012 | 2011 |
| Derivatives                                   | \$ 689   | \$ 891   | 24%  | 25%  |
| Cash Trading and Listings                     | 1,797  | 2,246    | 63%  | 65%  |
| Information Services and Technology Solutions | 353  | 363      | 13%  | 10%  |
| Total segment revenues                        | \$ 2,839   | \$ 3,500 | 100% | 100% |

## Derivatives

| (in millions)                                   | Nine months ended September 30,<br>% of Revenues |        |                        |      |      |
|---|--|--------|------------------------|------|------|
|   | 2012   | 2011   | Increase<br>(decrease) | 2012 | 2011 |
| Transaction and clearing fees                   | \$ 623   | \$ 825 | (24)%                  | 90%  | 93%  |
| Market data                                     | 33   | 35     | (6)%                   | 5%   | 4%   |
| Other revenues                                  | 33   | 31     | 6%                     | 5%   | 3%   |
| Total revenues                                  | 689  | 891    | (23)%                  | 100% | 100% |
| Transaction-based expenses:                     |  |        |                        |      |      |
| Liquidity payments, routing and clearing        | 167  | 216    | (23)%                  | 24%  | 24%  |
| Total revenues, less transaction-based expenses | 522  | 675    | (23)%                  | 76%  | 76%  |
| Total other operating expenses                  | 311  | 291    | 7%                     | 45%  | 33%  |
| Operating income                                | \$ 211   | \$ 384 | (45)%                  | 31%  | 43%  |

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For the nine months ended September 30, 2012, Derivatives operating income decreased \$173 million to \$211 million, and operating income as a percentage of revenues decreased 12 percentage points to 31%. Compared to the nine months ended September 30, 2011, the reduction in operating income mainly reflects a \$153 million decrease in total revenues, less transaction-based expenses, which was driven by a \$117 million decrease in our European derivatives as a result of a 20% decrease in average daily volume and average net revenue capture per contract as well as a \$28 million decline in our U.S. equity options trading net revenue driven by a 14% decrease in average daily volume and a decline in average net capture per U.S. equity option contract. Other operating expenses for the nine months ended September 30, 2012 increased \$20 million, reflecting (i) increased merger and exit costs as we implement cost reduction initiatives and (ii) additional expenses to support new business initiatives, including the development costs of our new clearing facilities for our European derivatives business.

**Cash Trading and Listings**

| (in millions)  | Nine months ended September 30, |               |                        |               |             |
|--|---------------------------------|---------------|------------------------|---------------|-------------|
|  | 2012                            | 2011          | Increase<br>(decrease) | % of Revenues |             |
|  |                                 |               |                        | 2012          | 2011        |
| Transaction and clearing fees                          | \$ 1,205                        | \$ 1,636      | (26)%                  | 67%           | 73%         |
| Market data  | 131                             | 147           | (11)%                  | 7%            | 6%          |
| Listing  | 334                             | 334           | %                      | 19%           | 15%         |
| Other revenues   | 127                             | 129           | (2)%                   | 7%            | 6%          |
| <b>Total revenues</b>                                  | <b>1,797</b>                    | <b>2,246</b>  | <b>(20)%</b>           | <b>100%</b>   | <b>100%</b> |
| Transaction-based expenses:                            |                                 |               |                        |               |             |
| Section 31 fees  | 226                             | 287           | (21)%                  | 13%           | 13%         |
| Liquidity payments, routing and clearing               | 685                             | 951           | (28)%                  | 38%           | 42%         |
| <b>Total revenues, less transaction-based expenses</b> | <b>886</b>                      | <b>1,008</b>  | <b>(12)%</b>           | <b>49%</b>    | <b>45%</b>  |
| Total other operating expenses                         | 551                             | 611           | (10)%                  | 30%           | 27%         |
| <b>Operating income</b>                                | <b>\$ 335</b>                   | <b>\$ 397</b> | <b>(16)%</b>           | <b>19%</b>    | <b>18%</b>  |

For the nine months ended September 30, 2012, Cash Trading and Listings operating income as a percentage of revenues increased 1 percentage point to 19% despite a decrease in operating income of \$62 million to \$335 million. The decrease in operating income was primarily due to a decrease in our total revenues, less transaction-based expenses, of \$122 million as a result of lower average daily trading volumes across most of our cash trading venues and the negative impact of foreign currency, partially offset by a \$60 million decrease in other operating expenses for the nine months ended September 30, 2012 reflecting the results of operating efficiencies.

**Information Services and Technology Solutions**

| (in millions)                  | Nine months ended September 30, |              |                        |               |             |
|--------------------------------|---------------------------------|--------------|------------------------|---------------|-------------|
|                                | 2012                            | 2011         | Increase<br>(decrease) | % of Revenues |             |
|                                |                                 |              |                        | 2012          | 2011        |
| Market data                    | \$ 99                           | \$ 99        | %                      | 28%           | 27%         |
| Technology services            | 254                             | 264          | (4)%                   | 72%           | 73%         |
| <b>Total revenues</b>          | <b>353</b>                      | <b>363</b>   | <b>(3)%</b>            | <b>100%</b>   | <b>100%</b> |
| Total other operating expenses | 287                             | 272          | 6%                     | 81%           | 75%         |
| <b>Operating income</b>        | <b>\$ 66</b>                    | <b>\$ 91</b> | <b>(27)%</b>           | <b>19%</b>    | <b>25%</b>  |

For the nine months ended September 30, 2012, Information Services and Technology Solutions operating income decreased \$25 million to \$66 million, and operating income as a percentage of revenues in 2012 decreased 6 percentage points to 19%. This decrease was primarily due to (i) a \$10 million decrease in total revenues (including a \$12 million negative impact of foreign currency) as a result of weak market conditions and the reduction by customers of their technology expenditures and (ii) additional operating expenses chiefly associated with the ramp up of our co-location services, the extension of our presence through acquisitions and the expansion of our SFTI network, as well as severance charges incurred in the 2012 period as we realize operating efficiencies.

**Corporate / Eliminations**

| (in millions) | Nine months ended September 30, |      |                        |
|---------------|---------------------------------|------|------------------------|
|               | 2012                            | 2011 | Increase<br>(decrease) |
|               |                                 |      |                        |

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|   |          |          |       |
|---|----------|----------|-------|
| Revenues, less transaction-based expenses | \$ 1     | \$ (2)   | 150%  |
| Total revenues                            | 1        | (2)      | 150%  |
| Total other operating expenses            | 101      | 145      | (30)% |
| Operating loss                            | \$ (100) | \$ (147) | (32)% |

Corporate and eliminations include unallocated costs primarily related to corporate governance, public company expenses and costs associated with our pension, SERP and postretirement benefit plans and intercompany eliminations of revenues and expenses. Operating expenses for the nine months ended September 30, 2012 decreased \$44 million to \$101 million compared to the same period a year ago. Such decrease was primarily associated with lower merger expenses and exit costs. The 2011 merger expenses included legal, investment banking and other professional fees and costs incurred in connection with the terminated Proposed Business Combination with Deutsche Börse.

## **Non-Operating Income and Expenses**

### **Net Interest and Investment Income (Loss)**

Interest expense is primarily attributable to the interest expense on the debt incurred in connection with \$750 million of fixed rate bonds due in June 2013 and 1,000 million of fixed rate bonds due in June 2015. See Liquidity and Capital Resources.

### **Loss from Associates**

For the nine months ended September 30, 2012, the loss from associates remained in line with the same period a year ago. Such loss primarily reflects the impact of our investment in NYPC.

### **Net Loss on Disposal Activities**

For the nine months ended September 30, 2012, the net loss on disposal activities of \$2 million reflects the impact of unwinding of the NYSE Blue joint venture. See also Note 2 *Strategic Investments and Divestitures*.

### **Other Income**

For the nine months ended September 30, 2012 and 2011, other income was \$4 million and \$0 million, respectively. Other income consists primarily of foreign exchange gains and losses and dividends on certain investments, which may vary period-over-period.

### **Noncontrolling Interest**

For the nine months ended September 30, 2012, NYSE Euronext recorded noncontrolling interest income of \$14 million as compared to a \$2 million loss in the same period a year ago. This reflects the operating income generated by NYSE Amex Options partially offset the operating losses of NYSE Liffe US in the 2012 period.

### **Income Taxes**

For the nine months ended September 30, 2012 and 2011, NYSE Euronext provided for income taxes at an estimated tax rate of 21.5% and 20.0%, respectively. NYSE Euronext's effective tax rate was lower than the statutory rate primarily due to higher earnings generated from foreign operations, where the applicable foreign jurisdiction tax rate is lower than the statutory rate. For the nine months ended September 30, 2012, our effective tax rate reflected (i) a \$41 million discrete deferred tax benefit related to an enacted reduction in the corporate tax rate from 25% to 23% in the United Kingdom, and (ii) the release of reserves following a favorable settlement reached with the tax authorities in the United Kingdom regarding an uncertain tax position, which were more than offset by (iii) a \$68 million discrete deferred tax expense related to the reorganization of certain of our U.S. businesses.



**Liquidity and Capital Resources**

NYSE Euronext's financial policy seeks to finance the growth of its business, remunerate shareholders and ensure financial flexibility, while maintaining strong creditworthiness and liquidity. NYSE Euronext's primary sources of liquidity are cash flows from operating activities, current assets and existing bank facilities. NYSE Euronext's principal liquidity requirements are for working capital, capital expenditures and general corporate use.

*Cash flows from operating activities*

For the nine months ended September 30, 2012, net cash provided by operating activities was \$357 million, primarily representing net income of \$334 million, depreciation and amortization of \$196 million and a \$188 million working capital decrease.

*Cash flows used in investing and financing activities*

Capital expenditures for the nine months ended September 30, 2012 were \$125 million. During the nine months ended September 30, 2012, we repurchased 15.9 million shares of our common stock for approximately \$424 million and paid \$226 million in dividends to our shareholders.

*Net financial indebtedness*

As of September 30, 2012, NYSE Euronext had approximately \$2.4 billion in debt outstanding and \$0.3 billion of cash, cash equivalents and financial investments, resulting in \$2.1 billion in net indebtedness. We define net indebtedness as outstanding debt less cash, cash equivalents and financial investments.

Net indebtedness was as follows (in millions):

|   | September 30,<br>2012 | December 31,<br>2011 |
|---|-----------------------|----------------------|
| Cash and cash equivalents                               | \$ 310                | \$ 396               |
| Financial investments                                   | 31                    | 36                   |
| <b>Cash, cash equivalents and financial investments</b> | <b>341</b>            | <b>432</b>           |
| Short term debt   | 866                   | 39                   |
| Long term debt  | 1,616                 | 2,036                |
| <b>Total debt</b>                                       | <b>2,482</b>          | <b>2,075</b>         |
| <b>Net indebtedness</b>                                 | <b>\$ 2,141</b>       | <b>\$ 1,643</b>      |

Cash, cash equivalents and financial investments are managed as a global treasury portfolio of non-speculative financial instruments that are readily convertible into cash, such as overnight deposits, term deposits, money market funds, mutual funds for treasury investments, short duration fixed income investments and other money market instruments, thus ensuring high liquidity of financial assets.

As of September 30, 2012, NYSE Euronext's main debt instruments were as follows (in millions):

|   | Principal amount as<br>of<br>September 30, 2012 | Maturity                   |
|---|---|----------------------------|
| Commercial paper issued under the global commercial paper program |   | From October 1, 2012 until |
|   | \$ 423  | October 5, 2012            |
| 4.8% bond in U.S. dollar  | \$ 750  | June 30, 2013              |
| 5.375% bond in Euro   | 1,000 (\$1,288)                                 | June 30, 2015              |

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In 2007, NYSE Euronext entered into a U.S. dollar and euro-denominated global commercial paper program of \$3.0 billion in order to refinance the acquisition of the Euronext shares. As of September 30, 2012, NYSE Euronext had \$0.4 million outstanding under this commercial paper program, at an average interest rate of 0.4%. The effective interest rate of commercial paper issuances does not materially differ from short term interest rates (Libor U.S. for commercial paper issued in U.S. dollar and Euribor for commercial paper issued in euro). The fluctuation of these rates due to market conditions may therefore impact the interest expense incurred by NYSE Euronext.

The commercial paper program is backed by a \$1.0 billion syndicated revolving bank facility maturing on June 15, 2015. This bank facility is available for general corporate purposes and was not drawn on as of September 30, 2012. This bank facility was entered into on June 15, 2012 to refinance the bank facility entered into in 2007 for an amount of \$2.0 billion and subsequently amended and reduced to an amount of \$1.2 billion in 2011. The commercial paper program and the credit facilities include terms and conditions customary for agreements of this type, which may restrict NYSE Euronext's ability to engage in additional transactions or incur additional indebtedness.

In 2008, NYSE Euronext issued \$750 million of 4.8% fixed rate bonds due in June 2013 and 750 million of 5.375% fixed rate bonds due in June 2015 in order to, among other things, refinance outstanding commercial paper and lengthen the maturity profile of its debt. In 2009, NYSE Euronext increased the 750 million 5.375% notes due in June 2015 to 1 billion as a result of an incremental offering of 250 million. The terms of the bonds do not contain any financial covenants. The bonds may be redeemed by NYSE Euronext or the bond holders under certain customary circumstances, including a change in control accompanied by a downgrade of the bonds below an investment grade rating. The terms of the bonds also provide for customary events of default and a negative pledge covenant.

On October 5, 2012, NYSE Euronext issued \$850 million of 2.0% senior unsecured notes due in October 2017. The net proceeds from the offering were used, in part, to purchase approximately \$336 million of the outstanding 4.8% notes due in June 2013 and €80 million of the outstanding 5.375% notes due in June 2015 in concurrent cash tender offers.

*Liquidity risk*

NYSE Euronext continually reviews its liquidity and debt positions and, subject to market conditions and credit and strategic considerations, may from time to time determine to vary the maturity profile of its debt and diversify its sources of financing. NYSE Euronext anticipates being able to support short-term liquidity and operating needs primarily through existing cash balances and financing arrangements, along with future cash flows from operations. If existing financing arrangements are insufficient to meet the anticipated needs of its current operations or to refinance existing debt, NYSE Euronext may seek additional financing in either the debt or equity markets. NYSE Euronext may also seek equity or debt financing in connection with future acquisitions or other strategic transactions. While we believe that we generally have access to debt markets, including bank facilities and publicly and privately issued long and short term debt, we may not be able to obtain additional financing on acceptable terms or at all.

Because commercial paper's new issues generally fund the retirement of old issues, NYSE Euronext is exposed to the rollover risk of not being able to issue new commercial paper. In order to mitigate the rollover risk, NYSE Euronext maintains undrawn backstop bank facilities for an aggregate amount exceeding at any time the amount issued under its commercial paper program. In case we would not be able to issue new commercial paper, we may draw on these backstop facilities.

*Share Repurchase Program*

In 2008, our board of directors authorized the repurchase of up to \$1 billion of our common stock. Under the program, we may repurchase stock from time to time at the discretion of management in open market or privately negotiated transactions or otherwise, subject to applicable United States or European laws, regulations and approvals, strategic considerations, market conditions and other factors. This stock repurchase plan does not obligate us to repurchase any dollar amount or number of shares of our common stock and any such repurchases will be made in compliance with the applicable laws and regulations, including rules and regulations of the SEC and applicable EU regulations and regulations of the AMF.

A summary of common stock purchases is as follows:

**Issuer Purchases of Equity Securities**

| <b>Period</b>           | <b>Total Number of<br/>Shares<br/>Purchased</b> | <b>Average<br/>Price Paid<br/>Per Share</b> | <b>Total Number of<br/>Shares<br/>Purchased as Part of<br/>Publicly Announced<br/>Plans or Programs</b> | <b>Approximate Dollar<br/>Value<br/>of Shares that<br/>May Yet Be<br/>Purchased Under the<br/>Plans or<br/>Programs<br/>(in millions)</b> |
|-------------------------|---|---|---|---|
| At 6/30/2012            |   |   | 28,261,233  | \$ 249  |
| 7/1/2012 thru 7/31/2012 | 2,322,000                                       | \$ 25.57                                    | 30,583,233  | 190   |
| 8/1/2012 thru 8/31/2012 | 1,374,600                                       | 25.24                                       | 31,957,833  | 155   |
| 9/1/2012 thru 9/30/2012 | 997,500   | 25.69                                       | 32,955,333  | 129   |
|                         | 4,694,100                                       |   |   |   |

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## **Critical Accounting Policies and Estimates**

The following provides information about NYSE Euronext's critical accounting policies and estimates. Critical accounting policies reflect significant judgments and uncertainties, and potentially produce materially different results, assumptions and conditions.

### ***Revenue Recognition***

There are two types of fees applicable to companies listed on the NYSE, NYSE Arca, NYSE MKT and Euronext—listing fees and annual fees. Listing fees consist of two components: original listing fees and fees related to other corporate action. Original listing fees, subject to a minimum and maximum amount, are based on the number of shares that the company initially lists. Original listing fees, however, are generally not applicable to companies that transfer to one of our U.S. securities exchanges from another market, except for companies transferring to NYSE MKT from the over-the-counter market. Other corporate action related fees are paid by listed companies in connection with corporate actions involving the issuance of new shares. Annual fees are recognized on a pro rata basis over the calendar year. Original listing fees are recognized on a straight-line basis over their estimated service periods of 10 years for the NYSE and Euronext, and 5 years for NYSE Arca and NYSE MKT. Unamortized balances are recorded as deferred revenue on the condensed consolidated statements of financial condition.

In addition, NYSE Euronext licenses software and provides software services which are accounted for in accordance with Subtopic 605 in the Software Topic of the FASB Accounting Standards Codification, which involves significant judgment. The technology services revenues in our condensed consolidated statement of operations include revenues generated from the sale of software licenses, software related services as well as hardware components. We enter into multiple-element sales arrangements to provide technology solutions and services to our customers. In such arrangements, we first allocate the total arrangement consideration based on the relative selling prices of the software group of elements as a whole and to the non-software elements. We then further allocate consideration within the software group to the respective elements within that group in accordance with Subtopic 605 in the Software Topic of the FASB Accounting Standards Codification. We recognize revenues upon delivery of non-software elements of our technology solutions and services. For software license arrangements that do not require customization or significant modification of the underlying software, we recognize revenues when (i) we enter into a legally binding agreement with a customer for the license of software, (ii) we deliver the products and (iii) customer payment is determinable and free of significant uncertainties or contingencies. Most of our arrangements are recognized in this manner. For software license arrangements that require customization or significant modification, we generally recognize revenues upon delivery provided the acceptance terms are perfunctory and all other revenue recognition criteria have been met. For revenues associated with maintenance and support, we recognize it ratably over the term of the arrangement, typically one to two years.

### ***Goodwill and Other Intangible Assets***

NYSE Euronext reviews the carrying value of goodwill for impairment at least annually based upon estimated fair value of NYSE Euronext's reporting units. Should the review indicate that goodwill is impaired, NYSE Euronext's goodwill would be reduced by the difference between the carrying value of goodwill and its fair value.

NYSE Euronext reviews the useful life of its indefinite-lived intangible assets to determine whether events or circumstances continue to support the indefinite useful life categorization. In addition, the carrying value of NYSE Euronext's other intangible assets is reviewed by NYSE Euronext at least annually for impairment based upon the estimated fair value of the asset.

For purposes of performing the impairment test, fair values are determined using discounted cash flow methodology. This requires significant judgments including estimation of future cash flows, which, among other factors, is dependent on internal forecasts, estimation of the long-term rate of growth for businesses and determination of weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill and other intangible impairment for each reporting unit.

### ***Income Taxes***

NYSE Euronext records income taxes using the asset and liability method, under which current and deferred tax liabilities and assets are recorded in accordance with enacted tax laws and rates. Under this method, the amounts of deferred tax liabilities and assets at the end of each period are determined using the tax rate expected to be in effect when the taxes are actually paid or recovered. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not.

Deferred income taxes are provided for the estimated income tax effect of temporary differences between financial and tax bases in assets and liabilities. Deferred tax assets are also provided for certain tax carryforwards. A valuation allowance to reduce deferred tax assets is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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NYSE Euronext is subject to tax regulations in numerous domestic and foreign jurisdictions primarily based on its operations in these jurisdictions. Significant judgment is required in assessing the future tax consequences of events that have been recognized in NYSE Euronext's financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could have a material impact on NYSE Euronext's financial position or results of operations.

### *Pension and Other Post-Retirement Employee Benefits*

Pension and other post-retirement employee benefits costs and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates to measure future obligation and interest expense, health care cost trend rates, benefits earned, interest cost, expected return on assets, mortality rates, and other factors. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect NYSE Euronext's pension and other post-retirement obligations and future expense.

***Hedging Activities***

NYSE Euronext uses derivative instruments to limit exposure to changes in foreign currency exchange rates and interest rates. NYSE Euronext accounts for derivatives pursuant to Derivatives and Hedging Topic of the FASB Accounting Standards Codification. The Derivatives and Hedging Topic establishes accounting and reporting standards for derivative instruments and requires that all derivatives be recorded at fair value on the statement of financial condition. Changes in the fair value of derivative financial instruments are either recognized in other comprehensive income or net income depending on whether the derivative is being used to hedge changes in cash flows or changes in fair value.

***Recently Issued Accounting Guidance***

The FASB issued ASU 2011-08, Testing Goodwill for Impairment, which amends certain provisions in Subtopic 350-20 in the Intangibles Goodwill and Other Topic of the Codification. The amendments in ASU 2011-08 provide changes to the goodwill impairment guidance that are intended to reduce the cost and complexity of the annual impairment test. The changes allow entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The new qualitative indicators replace those currently used to determine whether an interim goodwill impairment test is required. In addition, the indicators will be applicable for assessing whether to perform step two for reporting units with zero or negative carrying amounts. These amendments will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We do not believe that this will have a significant impact on our financial statements.

The FASB issued ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment, which amends certain provisions in the Subtopic 350-30 in the Intangibles Goodwill and Other Topic of the Codification. The FASB issued ASU 2012-02 in response to feedback on ASU 2011-08 which amended the goodwill impairment testing requirements by allowing an entity to perform a qualitative impairment assessment before proceeding to the two-step impairment test. Similarly, under ASU 2012-02, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before calculating the fair value of the asset. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not (i.e., a likelihood of more than 50 percent) impaired, the entity would not need to calculate the fair value of the asset. This ASU does not revise the requirement to test indefinite-lived intangible assets annually for impairment. In addition, this ASU does not amend the requirement to test these assets for impairment between annual tests if there is a change in events or circumstances; however, it does revise the examples of events and circumstances that an entity should consider in interim periods. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. We do not believe that this will have a significant impact on our financial statements.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk****General**

As a result of its operating and financing activities, NYSE Euronext is exposed to market risks such as interest rate risk, currency risk and credit risk. NYSE Euronext has implemented policies and procedures designed to measure, manage, monitor and report risk exposures, which are regularly reviewed by the appropriate management and supervisory bodies. NYSE Euronext's central treasury is charged with identifying risk exposures and monitoring and managing such risks on a daily basis. To the extent necessary and permitted by local regulation, NYSE Euronext's subsidiaries centralize their cash investments, report their risks and hedge their exposures with the central treasury. NYSE Euronext performs sensitivity analyses to determine the effects that market risk exposures may have.

NYSE Euronext uses derivative instruments solely to hedge financial risks related to its financial position or risks that are otherwise incurred in the normal course of its commercial activities. We do not use derivative instruments for speculative purposes.

**Interest Rate Risk**

Except for fixed rate bonds, most of NYSE Euronext's financial assets and liabilities are based on floating rates, on fixed rates with an outstanding maturity or reset date falling in less than one year or on fixed rates that have been swapped to floating rates via fixed-to-floating rate swaps. The following table summarizes NYSE Euronext's exposure to interest rate risk as of September 30, 2012 (in millions):

|   | Financial<br>assets | Financial<br>liabilities | Net Exposure | Impact <sup>(2)</sup> of a<br>100 bp adverse shift<br>in interest rates <sup>(3)</sup> |
|---|---------------------|--------------------------|--------------|--|
| <b>Floating rate<sup>(1)</sup> positions in</b> |                     |                          |              |  |
| Dollar  | \$ 96               | \$ 1,184                 | \$ (1,088)   | \$ (10.9)  |
| Euro  | 31                  | 18                       | 13           | (0.1)  |
| Sterling  | 187                 |                          | 187          | (1.9)  |
| <b>Fixed rate positions in</b>                  |                     |                          |              |  |
| Dollar  |                     |                          |              |  |
| Euro  |                     | 1,281                    | (1,281)      | (15)   |
| Sterling  |                     |                          |              |  |

(1) Includes floating rate, fixed rate with an outstanding maturity or reset date falling in less than one year and fixed rate swapped to floating rate.

(2) Impact on profit and loss for floating rate positions (cash flow risk) and on equity until realization in profit and loss for fixed rate positions (price risk).

(3) 100 basis points parallel shift of yield curve.

NYSE Euronext is exposed to price risk on its outstanding fixed rate positions. As of September 30, 2012, fixed rate positions in euro with an outstanding maturity or reset date falling in more than one year amounted to \$1,281 million. A hypothetical shift of 1% in the euro interest rate curves would in the aggregate impact the fair value of these positions by \$15 million.

NYSE Euronext is exposed to cash flow risk on its floating rate positions. Because NYSE Euronext is a net lender in euro and sterling, when interest rates in euro or sterling decrease, NYSE Euronext's net interest and investment income decreases. Based on September 30, 2012 positions, a hypothetical 1% decrease in euro or sterling rates would negatively impact annual income by \$0.1 million and \$1.9 million, respectively. Because NYSE Euronext is a net borrower in U.S. dollar, when interest rates in U.S. dollar increase, NYSE Euronext net interest and investment income decreases. Based on September 30, 2012 positions, a hypothetical 1% increase in U.S. dollar rates would negatively impact annual income by \$10.9 million.

**Currency Risk**

As an international group, NYSE Euronext is subject to currency translation risk. A significant part of NYSE Euronext's assets, liabilities, revenues and expenses is recorded in euro and sterling. Assets, liabilities, revenues and expenses of foreign subsidiaries are generally denominated in the local functional currency of such subsidiaries.





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NYSE Euronext's exposure to foreign denominated earnings for the nine months ended September 30, 2012 is presented by primary foreign currency in the following table (in millions, except average rates):

|   | Nine months ended September 30, 2012 |           |
|---|--------------------------------------|-----------|
|   | Euro                                 | Sterling  |
| Average rate in the period                            | \$ 1.2821                            | \$ 1.5781 |
| Average rate in the same period one year before       | \$ 1.4071                            | \$ 1.6147 |
| Foreign denominated percentage of                     |                                      |           |
| Revenues  | 16%                                  | 15%       |
| Operating expenses                                    | 9%                                   | 16%       |
| Operating income                                      | 48%                                  | 10%       |
| Impact of the currency fluctuations <sup>(1)</sup> on |                                      |           |
| Revenues  | \$ (44.8)                            | \$ (9.8)  |
| Operating expenses                                    | (21.1)                               | (8.6)     |
| Operating income                                      | (23.7)                               | (1.2)     |

<sup>(1)</sup> Represents the impact of currency fluctuation for the nine months ended September 30, 2012 compared to the same period in the prior year.

NYSE Euronext's exposure to net investment in foreign currencies is presented by primary foreign currencies in the table below (in millions):

|  | September 30, 2012 |                      |
|--|--------------------|----------------------|
|  | Position in euros  | Position in sterling |
| Assets   | 3,966              | £ 2,662              |
| of which goodwill  | 1,038              | 1,073                |
| Liabilities  | 1,939              | 377                  |
| of which borrowings  | 1,007              |                      |
| Net currency position before hedging activities                                    | 2,027              | £ 2,285              |
| Impact of hedging activities   | 64                 | 175                  |
| Net currency position  | 2,091              | £ 2,460              |
| Impact on consolidated equity of a 10% decrease in foreign currency exchange rates | \$ (269)           | \$ (397)             |

At September 30, 2012, NYSE Euronext had net exposure of euro and sterling of 2.1 billion (\$2.8 billion) and £2.5 billion (\$4.0 billion), respectively. NYSE Euronext's borrowings in euro of 1.0 billion (\$1.3 billion) constitute a partial hedge of NYSE Euronext's net investments in foreign entities. As of September 30, 2012, NYSE Euronext also had 284 million (\$367 million) of euro/U.S. dollar and £175 million (\$283 million) of sterling/Euro dollar foreign exchange contracts outstanding. These contracts matured in October 2012. As of September 30, 2012, the fair value of these contracts was a \$2 million liability.

Based on September 30, 2012 net currency positions, a hypothetical 10% decrease of euro against dollar would negatively impact NYSE Euronext's equity by \$269 million and a hypothetical 10% decrease of sterling against dollar would negatively impact NYSE Euronext's equity by \$397 million. For the nine months ended September 30, 2012, currency exchange rate differences had a positive impact of \$127 million on NYSE Euronext's consolidated equity.

### **Credit Risk**

NYSE Euronext is exposed to credit risk in the event of a counterparty default. NYSE Euronext limits its exposure to credit risk by rigorously selecting the counterparties with which it makes investments and executes agreements. Credit risk is monitored by using exposure limits depending on ratings assigned by rating agencies as well as the nature and maturity of transactions. NYSE Euronext's investment objective is to invest in securities that preserve principal while maximizing yields, without significantly increasing risk. NYSE Euronext seeks to substantially mitigate credit risk associated with investments by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other creditworthy counterparties.

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An ongoing review is performed to evaluate changes in the status of counterparties. In addition to the intrinsic creditworthiness of counterparties, NYSE Euronext's policies require diversification of counterparties (banks, financial institutions, bond issuers and funds) so as to avoid a concentration of risk. Derivatives are negotiated with highly rated banks.

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#### Item 4. Controls and Procedures

As of the end of the period covered by this report, our management carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. No significant changes were made during the quarterly period ended September 30, 2012 in our internal control over financial reporting or in other factors that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

##### Legal Matters

For the nine months ended September 30, 2012, NYSE Euronext incorporates herein by reference the discussion set forth in Note 16 ( Commitments and Contingencies Legal Matters ) to Item 8 of the Form 10-K filed by NYSE Euronext for the year ended December 31, 2011, and Note 10 ( Commitments and Contingencies ) of the Forms 10-Q filed by NYSE Euronext for the periods ended March 31, 2012 and June 30, 2012, respectively, and no other matters were reportable during the period.

In addition to the matters described above and in the prior disclosures incorporated herein by reference, NYSE Euronext is from time to time involved in various legal proceedings that arise in the ordinary course of its business. NYSE Euronext records accrued liabilities for litigation and regulatory matters when those matters represent loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, NYSE Euronext does not establish an accrued liability. As a litigation or regulatory matter develops, NYSE Euronext evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. NYSE Euronext does not believe, based on currently available information, that the results of any of these various proceedings will have a material adverse effect on its financial statements as a whole.

##### Item 1A. Risk Factors

For the nine months ended September 30, 2012, there were no material changes from the Risk Factors as previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011, and Part II, Item 1A of our Quarterly Reports on Form 10-Q for the three months and six months ended March 31, 2012 and June 30, 2012, respectively, which disclosures are incorporated herein by reference, other than the risk discussed below, which supplements the Risk Factors disclosed in such Annual and Quarterly Reports.

*Our networks and those of our third-party service providers may be vulnerable to security risks.*

The secure transmission of confidential information over public and other networks is a critical element of our operations. Our networks and those of our third-party service providers may be vulnerable to unauthorized access, malware and other security problems. Third parties to whom we provide information, including regulators, may not take proper care with our information and may not employ state of the art techniques for safeguarding data. Our systems have experienced attempts at unauthorized access in the past, and our public websites have in the past been subject to attempted denial of service attacks. While none of these attempts has materially adversely affected our systems or compromised confidential data, and while our systems have not in the past been materially adversely affected by malware or other security incidents, it is possible that our systems may experience security problems in the future that we cannot mitigate and that may materially affect our business. Persons who circumvent security measures could wrongfully access and use our information or our customers' information, or cause interruptions or malfunctions in our operations. Moreover, our security measures are costly, and may prove to be inadequate. Any of these security risks could cause us to incur reputational damage, regulatory sanctions, litigation, loss of trading share, loss of trading volume and loss of revenues, any of which could adversely affect our business, financial condition and operating results.

**Item 6. Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 4.1                | Second Supplemental Indenture, dated October 5, 2012, among NYSE Euronext, Wilmington Trust Company, as Trustee, and Citibank, N.A., as Authenticating Agent, Calculation Agent, Paying Agent, Security Registrar and Transfer Agent (incorporated by reference to Exhibit 4.1 to NYSE Euronext's Current Report on Form 8-K filed with the SEC on October 5, 2012).                         |
| 10.1               | Credit Agreement (\$1,000,000,000), dated as of June 15, 2012, between NYSE Euronext, the Subsidiary Borrowers party thereto, the Lenders party thereto, Citibank, N.A. as Administrative Agent, and the other financial institutions party thereto as agents (incorporated by reference to Exhibit 10.1 to NYSE Euronext's Current Report on Form 8-K filed with the SEC on June 19, 2012). |
| 31.1*              | Certification of the principal executive officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.   |
| 31.2*              | Certification of the principal financial officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.   |
| 32.1*              | Certification of the principal executive officer and the principal financial officer pursuant to 18 U.S.C. Section 1350.   |
| 101.INS**          | XBRL Report Instance Document  |
| 101.SCH**          | XBRL Taxonomy Extension Schema Document  |
| 101.PRE**          | XBRL Taxonomy Presentation Linkbase Document   |
| 101.CAL**          | XBRL Taxonomy Calculation Linkbase Document  |
| 101.LAB**          | XBRL Taxonomy Label Linkbase Document  |

\* Furnished herewith.

\*\* As provided in Rule 406T of Regulation S-T, this information is deemed furnished and not filed for purpose of Section 11 and 12 of Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934, as amended.

**SIGNATURES**

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

NYSE Euronext

Date: November 8, 2012

By: /s/ Michael Geltzeiler  
Michael Geltzeiler  
Group Executive Vice President and Chief Financial Officer

NYSE Euronext