

Nasdaq to Acquire Phil-Ex for \$652 Million

By **KATHY SHWIFF**

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Nasdaq Stock Market Inc. will pay \$652 million to buy the **Philadelphia Stock Exchange**, making its first big leap into the U.S. derivatives-trading business.

Nasdaq said the addition of the Philadelphia exchange, the third-largest options market in the U.S. and the nation's oldest stock exchange, would make it the third-largest options market in the U.S. The deal, expected to close in the first quarter, will add to Nasdaq's earnings in 2009.



Robert Greifeld

In addition to the options market, Nasdaq will acquire a futures market operated by the Philadelphia Board of Trade and the Stock Clearing Corporation of Philadelphia.

"This strategic combination achieves our goal of diversifying our product and service offerings with attractive benefits to our trading clients while generating strong financial returns," said Nasdaq Chief Executive Bob Greifeld.

The combination, which has been the subject of talks for months, is the latest move by Mr. Greifeld to expand Nasdaq's businesses beyond the trading of U.S. stocks and the listing of well-known companies like **Microsoft Corp.**, **Intel Corp.** and **Starbucks Corp.**

Nasdaq plans to keep the Philadelphia exchange's market structure, continuing to operate the electronic options trading platform alongside the options-trading floor in Philadelphia.

Nasdaq also announced plans recently to buy the Boston Stock Exchange, while it is planning a bigger merger with Europe's **OMX AB**, which will also make the Middle East's Borse Dubai a minority owner of the combined Nasdaq OMX.

The Philadelphia exchange, founded two years before the New York Stock Exchange in 1790, has floundered in trading stocks in recent years but built a strong franchise with relatively sophisticated technology for trading options. Phil-Ex increased market share for several years under CEO Meyer "Sandy" Frucher, in large part because a group of brokerage firms started sending more orders to Philadelphia after buying a stake in the company.

The exchange is majority-owned by five Wall Street firms -- units of **Citigroup Inc.**, **Credit Suisse Group**, **Merrill Lynch & Co.**, **Morgan Stanley** and **UBS AG** -- and Citadel, a Chicago-based hedge fund. Citadel, Merrill and Morgan Stanley have the largest stakes.


The Philadelphia exchange had a pretax gain of \$8.9 million in 2006, reversing a \$14.9 million loss the previous year. It has a market share of about 14% in options trading. In addition to options on individual stocks, Philadelphia also lists index options, stocks and currency products.

Sales talks had been conducted on-and-off with Nasdaq, its rival **NYSE Euronext** (the owner of the New York Stock Exchange) and other parties. Negotiations have taken place for more than a year, a period in which the sales price rose. Options tend to increase in popularity in the kind of markets that have characterized trading this year.

--Aaron Lucchetti and Jed Horowitz contributed to this article.

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[Read some notable facts](#) about the Philadelphia Stock Exchange and Nasdaq.





Philadelphia exchange building in the 1800s Corbis

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Notable facts about the soon-to-combine Philadelphia Stock Exchange and Nasdaq:

Philadelphia Stock Exchange

Founded: 1790, first organized U.S. stock exchange

Ownership: Trading firms and members

Claim to Fame: Currency and stock options including Semiconductor Sector (SOX)

Notable 2007 bell-ringers: Danny DeVito, Martha "and the Vandellas" Reeves, Phillies ballgirls

Nasdaq Stock Market

Founded: 1971, is based in New York

Ownership: Shares began trading publicly in 2002

Claim to Fame: major tech stocks

Notable bell-ringers: Olympic runners, "American Idol" participants, Miss USA



Nasdaq MarketSite in midtown New York AP

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