

NASDAQ STOCK MARKET INC

Form 424B5

May 01, 2006

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**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-131373**

A filing fee of \$85,048.00, calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with the securities offered by means of this prospectus supplement. This fee includes the common stock issuable upon the exercise of the underwriter's over-allotment option.

Prospectus Supplement

(To prospectus dated January 30, 2006)

18,500,000 Shares

Common Stock

We are offering 18,500,000 shares of common stock.

The shares of our common stock are quoted on The Nasdaq National Market under the symbol NDAQ. On April 27, 2006, the last sale price of our shares as reported on The Nasdaq National Market was \$37.36 per share.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page S-12 of this prospectus supplement.

	Per share	Total
Offering price	\$ 37.360	\$ 691,160,000
Discount and commissions to underwriters	\$1.401	\$25,918,500
Offering proceeds before expenses	\$ 35.959	\$ 665,241,500

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

We have granted to the underwriters an overallotment option to purchase up to 2,775,000 additional shares of common stock on the same terms and conditions as set forth above if the underwriters sell more than 18,500,000 shares of common stock in this offering. The underwriters can exercise this right at any time and from time to time, in whole or in part, within 30 days after the offering. The underwriters expect to deliver the shares of common stock to investors on or about May 2, 2006.

Banc of America Securities LLC
Bear, Stearns & Co. Inc.

Credit Suisse
UBS Investment Bank

Cowen & Company

Keefe, Bruyette & Woods

Sandler O'Neill + Partners, L.P.

Thomas Weisel Partners LLC

Wachovia Securities

April 27, 2006

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not and the underwriters have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer and sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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About This Prospectus Supplement and the Accompanying Prospectus

This prospectus supplement and the accompanying prospectus include market share and industry data that we obtained from industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys generally state that the information they contain has been obtained from sources believed to be reliable, but we cannot assure you that this information is accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most currently available market data. For market comparison purposes, data in this prospectus supplement and the accompanying prospectus for initial public offerings or IPOs of companies in the United States is based on data provided by Thomson Financial, which does not include best efforts underwritings and Nasdaq has chosen to exclude closed-end funds, therefore, the data may not be comparable to other publicly-available initial public offering data. Data in this prospectus supplement and the accompanying prospectus for new listings of equity securities on The Nasdaq Stock Market is based on data generated internally by Nasdaq, which includes best efforts underwritings. Data in this prospectus supplement and the accompanying prospectus for trading activity by average daily share volume of the QQQ is provided by FactSet Research Systems, Inc. and Bloomberg L.P. While we are not aware of any misstatements regarding industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading **Risk Factors** in this prospectus supplement.

Trademarks and Servicemarks

ACES[®], ENASTRAQ[®], Market Intelligence Desk[®], Market Mechanics[®], MarketSite[®], MarketSite Experience[®], NASDAQ[®], NASDAQ Biotechnology Index[®], NASDAQ Canada[®], NASDAQ Canada Index[®], NASDAQ Capital Market[®], NASDAQ Composite[®], NASDAQ Composite Index[®], NASDAQ Computer Index[®], NASDAQ DepthView[®], NASDAQ Europe Composite Index[®], NASDAQ-Financial[®], NASDAQ-Financial Index[®], NASDAQ Industrial Index[®], NASDAQ Market Center[®], NASDAQ MarketSite[®], NASDAQ National Market[®], NASDAQ PostData[®], NASDAQ PowerView[®], NASDAQ Prime[®], NASDAQ Report Source[®], NASDAQ Telecommunications Index[®], NASDAQ TotalView[®], NASDAQ Trader[®], NASDAQ Volume Post[®], NASDAQ Workstation[®], NASDAQ Workstation II[®], NASDAQ-100[®], NASDAQ-100 European Tracker[®], NASDAQ-100 Index[®], NASDAQ-100 Index Tracking Stock[®], NASTRAQ[®], NDX[®], Opening New Worlds[®], QQQ[®], SelectNet[®], SuperMontage[®], The NASDAQ Stock Market[®], The Stock Market For The Next 100 Years[®], and NASDAQ/NMS[®] are registered trademarks of The Nasdaq Stock Market, Inc.

ACTSM, Aggregated Depth at PriceSM (ADAPSM), Automated Confirmation Transaction ServiceSM, Closing CrossSM, CubesSM, EQ FundSM, EQQQSM, FlashQuotesSM, INETSM, InfoQuotesSM, Level 1 ServiceSM, LogoTickerSM, Market ForceSM, MarketLinkSM, Market VelocitySM, Mutual Fund Quotation ServiceSM (MFQSSM), NASDAQ Corporate Services NetworkSM, NASDAQ Global MarketSM, NASDAQ Index WatchSM, NASDAQ InternationalSM, NASDAQ Market AnalytixSM, NASDAQ MaxSM, NASDAQ National Market CompositeSM, NASDAQ OnlineSM, NASDAQ Quotation Dissemination ServiceSM (NQDSSM), NASDAQ QuoteViewSM, NASDAQ Trade Dissemination ServiceSM (NTDSSM), NASDAQ Trade UpSM, NWIITM, Opening CrossSM, The CubeSM, Trade Reporting and Compliance EngineSM (TRACESM), Trade UpSM, UTP Quotation Data FeedSM (UQDFSM), UTP Trade Report Data FeedSM (UTDFSM) and the logos identifying Nasdaq indexes and products are servicemarks of The Nasdaq Stock Market, Inc.

Forward Looking Statements

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This prospectus supplement and the documents incorporated by reference herein contain these types of statements. We make these statements

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directly in this prospectus supplement and in the documents filed with the SEC that are incorporated by reference in this prospectus. Words such as anticipates, estimates, expects, projects, intends, plans, believes and words or terms of similar substance used in connection with an discussion of future operating results or financial performance identify forward-looking statements.

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

our operating results may be lower than expected;

our ability to implement our strategic initiatives and any consequences from our pursuit of our corporate strategy, including in connection with our recent acquisition of Instinet Group Incorporated, or Instinet and our recent acquisition of approximately 14.9% of the shares of the London Stock Exchange, or LSE;

competition, economic, political and market conditions and fluctuations, including interest rate risk;

government and industry regulation; or

adverse changes that may occur in the securities markets generally.

Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the uncertainty and any risk resulting from such uncertainty in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus supplement. Readers should carefully review this prospectus supplement and the accompanying prospectus in their entirety, including, but not limited to, our Management's Discussion and Analysis of Financial Condition and Results of Operation, financial statements and the accompanying notes thereto, and the pro forma financial statements and accompanying notes thereto, all of which are incorporated by reference, and the risks described in Risk Factors. Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information related to our business. Since it is a summary, this section may not contain all the information that you should consider before investing in our common stock. You should carefully read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, including the Risk Factors section. You should also read our Management's Discussion and Analysis of Financial Condition and Results of Operation, financial statements and the accompanying notes and the pro forma financial statements and accompanying notes, all of which are incorporated by reference, before making an investment decision.

Overview

We are a leading provider of securities listing, trading, and information products and services. Our revenue sources are diverse and include revenues from transaction services, market data products and services, listing fees, and financial products. We operate The Nasdaq Stock Market, the largest electronic equity securities market in the United States, both in terms of number of listed companies and traded share volume. As of March 31, 2006, we were home to approximately 3,200 listed companies with a combined market capitalization of over \$4.0 trillion. We also operate The Nasdaq Market Center, which provides our market participants with the ability to access, process, display and integrate orders and quotes in The Nasdaq Stock Market and other national stock exchanges. Transactions involving 363.3 billion equity securities were executed on or reported to our systems in 2005, 13.9% higher than the 319.1 billion in 2004. Transactions involving 139.0 billion equity securities were executed on or reported to our systems in the first quarter of 2006, 53.1% higher than the 90.8 billion in the first quarter of 2005. We manage, operate and provide our products and services in two business segments, our Issuer Services segment and our Market Services segment.

On December 8, 2005, we completed our acquisition of the INET ECN. We acquired INET because we believe it will enable us to enhance our premier electronic equities market and will provide superior execution opportunities for our customers. We have begun the process of integrating the INET trading platform with our operations. In the third quarter of 2006, we expect to complete the migration of The Nasdaq Market Center to INET's high performance and low cost trading platform. We believe this will enable us to compete more effectively for trade executions in NYSE- and Amex-listed securities and to deliver increased capabilities demanded by our customers. By the end of 2006, we believe that the INET acquisition will begin to accrete to stockholders, primarily as a result of technology cost savings and other synergies, including cost savings from operating a combined trading platform, reduced clearing and settlement expenses, reduced occupancy, compensation and benefits costs and increased market data revenues. As a result of the INET acquisition, we expect to be able to compete more effectively against higher cost, less electronic hybrid exchanges. We expect that a successful migration to the INET platform will result in an increase in the number and range of buy orders and sell orders in non-Nasdaq-listed securities quoted through The Nasdaq Market Center. This migration may also enhance our ability to compete against these exchanges for the listings of securities. We also believe the additional liquidity arising from the INET acquisition will lead to additional trade execution and trade reporting revenue.

We believe that our industry is entering a period of transition across global markets for various financial products. We believe that our past acquisition experience positions us to strategically enter new markets that complement our core competencies, build upon the Nasdaq brand name and advance our technology both in the United States and abroad. Furthermore, we believe our successful integration of Brut's electronic trading systems enhances our ability to successfully integrate INET and extract cost savings through the elimination of corporate and systems redundancies.

Issuer Services. Our Issuer Services segment includes our securities listings business and our financial products business. The companies listed on The Nasdaq Stock Market represent a diverse array of industries,

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including information technology, financial services, healthcare, consumer products and industrials. During 2005, 126 initial public offerings listed on The Nasdaq Stock Market, raising approximately \$12.3 billion in equity capital. During this period, Nasdaq had 55 more IPOs than our nearest competitor. In each of the past 21 years, Nasdaq has secured more IPOs than any of its competitors.

We also develop and license financial products and associated derivatives, including the QQQ, which is an exchange traded fund, or ETF, based on the Nasdaq-100 Index. The Nasdaq-listed QQQ is one of the most actively traded ETFs in the world and the most actively traded listed equity security in the United States. We have also introduced financial products based on other Nasdaq indices, including the Nasdaq Composite Index and the Nasdaq Biotechnology Index. We believe that these products leverage, extend and enhance the Nasdaq brand. In addition, we generate revenues by licensing and listing third-party structured products and third-party sponsored ETFs.

In February 2006, we announced plans to create a new market tier for public companies. The standards for the new NASDAQ Global Select Market will have financial and liquidity requirements that are higher than those of any other market. We have made all required SEC filings and expect to implement the new market tier in July 2006.

Market Services. Our Market Services segment includes our transaction-based business and our market information services business. The Nasdaq Market Center is our transaction-based platform that provides our market participants with the ability to access, process, display and integrate orders and quotes and enabled our customers to execute trades in approximately 7,700 equity securities as of March 31, 2006. The Nasdaq Market Center allows us to route and execute buy and sell orders as well as report transactions for Nasdaq-, NYSE- and Amex-listed securities, providing fee-based revenues. Average daily share volume in Nasdaq-listed securities was 1.81 billion shares in 2004 and 1.80 billion shares in 2005. Average daily share volume in Nasdaq-listed securities was 2.00 billion shares in the first quarter of 2005 and 2.12 billion shares in the first quarter of 2006.

We also generate revenues by providing varying levels of quote and trade information to market participants and to data vendors, who in turn sell subscriptions for this information to the public. Our systems enable vendors to gain direct access to our detailed order data, index information, mutual fund pricing information and corporate action information on Nasdaq-listed securities.

INET Acquisition and Integration

On December 8, 2005, we completed our acquisition of Instinet Group Incorporated and the immediate sale of Instinet's Institutional Brokerage division to an affiliate of Silver Lake Partners, II, L.P, or SLP, a private equity firm. As a result of these transactions, Nasdaq owns INET ECN. We acquired INET because we believe it enables us to enhance our premier electronic equities market and provides superior execution opportunities for our customers.

Our integration of INET is well underway. We expect to begin migrating trading activity to the INET platform late in the second quarter for non-Nasdaq listed securities and early in the third quarter of 2006 for Nasdaq-listed securities. We plan to complete the migration of trading activity in the third quarter, and the integration of the related customer communication networks will continue into the fourth quarter of 2006. We may begin to recognize some cost savings in the third quarter, although full synergies will not occur until the fourth quarter, once we are able to eliminate all legacy networks and platforms. These time frames assume Nasdaq will receive prompt SEC approval of its single book and other integration-related rule proposals. We believe that the migration to the INET platform will enable us to compete more effectively for trade executions in NYSE- and Amex-listed securities and to deliver increased capabilities demanded by our customers. As part of the integration, on February 1, 2006, we merged INET ATS, Inc., the entity operating the INET ECN, into our broker-dealer subsidiary, Brut, LLC.

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Cost Reductions

We have taken significant steps to grow our business and enhance our competitive position, including developing fast, reliable and scalable systems, focusing on maintaining an efficient cost structure, designing a competitive pricing strategy for our products and services consistent with our regulatory obligations and pursuing acquisitions designed to yield cost savings through technology and corporate synergies. We have successfully reduced technology costs, eliminated non-core products, scaled back our workforce and consolidated our real estate facilities and operations. We continue to migrate our technology operations to fewer, scalable, less expensive non-proprietary platforms. The INET integration will accelerate our migration to a low-cost trading platform and will result in significant additional operating synergies.

As a result of our cost reduction steps, we reduced our total direct expenses from continuing operations from \$585.1 million in 2002 to \$430.8 million in 2004, or approximately 26.4%. During 2005, we have further reduced total direct expenses from continuing operations by approximately \$60.3 million or 14.0%, from \$430.8 to \$370.5 million. During 2004, we incurred incremental pre-tax expenses of approximately \$62.6 million in connection with taking actions to improve our operational efficiency. During 2005, we incurred net pre-tax expenses of \$20.0 million for similar expenses. In addition, 2005 results include a \$7.4 million loss recorded on the restructuring of the \$240 million subordinated convertible notes in connection with the financing of the INET acquisition.

We believe that our actions position us to compete aggressively in all aspects of our business, to improve profits and to grow in future periods. We plan to continue to rationalize our business activities and generate additional cost savings by managing our expense base and aggressively pursuing additional operating efficiencies once we complete the integration of INET. We believe that the INET integration will provide additional opportunities for cost reductions and synergies.

Our Competitive Strengths

We believe our principal competitive strengths include:

Highly Liquid and Efficient Market. We offer our customers a highly liquid and efficient market to execute transactions. Trade executions by The Nasdaq Market Center are extremely fast, typically within 0.4 of a second. As we integrate our systems onto the INET platform, we expect our average execution speeds to become faster. We believe that our trade execution speeds are significantly faster than those offered by competing floor-based exchanges and comparable to or faster than that of many competing exchanges and ECNs. We also believe that our average trade execution fee per share is among the most competitive in the industry. Further, we believe fully electronic trading could have significant speed and cost advantages to investors over trading systems that switch between automatic and slower manual trading, such as the hybrid trading systems proposed by the NYSE and Amex and may result in opportunities for us to increase our share of trading in non-Nasdaq-listed securities.

Experience in Integrating Businesses. We actively pursue strategic acquisitions and alliances to strengthen our current business, enter new markets that complement our core competencies, build upon the Nasdaq brand name and advance our technology. Since the Brut acquisition, we eliminated corporate redundancies, created a virtual combined order book with The Nasdaq Market Center and extended a number of Brut technology enhancements to our trading platform. We believe that our experience in combining electronic trading systems enhances our ability to successfully integrate INET and extract cost savings through the elimination of corporate and systems redundancies.

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Strong Brand and Reputation. We believe that we have built a trusted brand name among market participants, institutions and public companies. The Nasdaq Stock Market is recognized as a premier listing venue for stock-based equity securities. Some of the companies that list on our market include Ameritrade, Amgen, Apple, Comcast, Dell, Google, Intel, Microsoft, Staples, Starbucks and Yahoo!. Additionally, in 2005, Cadence Design Systems and Charles Schwab switched their listings to Nasdaq from the NYSE. In 2005, Sears

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switched its listing to Nasdaq from the NYSE as a result of its merger with Kmart. In 2006, UAL Corp., the parent company of United Airlines, listed with Nasdaq. Our marketing, promotional and public relations activities are designed to further strengthen our brand name and differentiate us as the market for growth companies and industry leaders and to promote the unique services available to our listed companies.

Effective Use of Technology and Innovation. We believe that our transaction speed throughput and system reliability provides us with a competitive advantage, which will be enhanced as we migrate to the INET platform. We expect to migrate The Nasdaq Market Center to INET's technologically advanced, fast, reliable and lower cost trading system in the third quarter of 2006. We also leverage our technology to provide innovative services that address the needs of the marketplace such as the Opening Cross and Closing Cross. The Opening Cross and Closing Cross further establish us as the reference point for trading in Nasdaq-listed securities, which has drawn liquidity to our market at the opening and closing times and has the potential to draw additional liquidity to our market during the trading day. We intend in 2006, subject to regulatory approvals, to introduce the Nasdaq Crossing Network, which will provide customers and investors with a highly efficient and accurate single price at specific times during the trading day, resulting in an enhanced ability to discover larger pools of liquidity. The introduction of the Crossing Network will serve as a further illustration of our advanced technology and our position as an industry innovator. We believe that our current order technology allows market participants to utilize a number of complex, self-executing order types. We further believe the NYSE's proposed hybrid trading system will have limited, self-executing order technology that will continue to require a floor broker to execute more complex order types.

Diverse and Recurring Sources of Revenue. Our revenue sources are diverse and include revenues from transaction services, market data product and services, listing fees and financial products. For 2005, we derived 74.3% of our revenues from our Market Services segment and 25.7% of our revenues from our Issuer Services segment. For 2005, we derived 57.0% of our gross margin from our Market Services segment and 43.0% of our gross margin from our Issuers Services segment. Following our acquisition of INET, we expect that our gross margins from Market Services will grow relative to our Issuers Services segment. Our Issuer Services segment provides us with recurring revenue streams in the form of listing fees from our approximately 3,200 issuers, and licensing fees for products such as those based on the Nasdaq-100 Index, including QQQ. Our Market Services segment delivers real-time quote and trade data to investors through our extensive network of vendors, including recurring revenues from market data products and services. Following the integration of INET, we will remain a company with diverse revenue streams where the majority of our revenue will be derived from recurring revenue sources not dependent on daily trading volume, including revenues from issuer fees, market data subscription fees, port and connection fees and certain licensing fees.

Strong and Effective Regulation. We are charged by the U.S. Securities and Exchange Commission, or the SEC, and U.S. securities laws with maintaining a fair and orderly market for the benefit of investors. We work to fulfill this obligation in several ways. We have arranged with NASD, a self-regulatory organization with over 60 years of experience, to provide regulatory oversight that is separate from our market operations. Additionally, we operate a real-time market surveillance program to quickly identify problems for referral to NASD. We also maintain a compliance-monitoring and enforcement program with respect to our requirements for initial and continued listing, including all our corporate governance listing standards. We believe that our reputation for corporate governance and regulatory integrity benefits investors, strengthens the Nasdaq brand and attracts companies seeking to list their stock as part of their initial public offerings. The INET acquisition has expanded the regulatory protections of our market model to INET's operations.

Strong and Innovative Management Team. Our strong and dedicated management team, led by President and Chief Executive Officer Robert Greifeld, has extensive experience in equity markets and technology and has been involved in numerous acquisitions within the financial technology and financial services industries. Our nine executive officers have an aggregate of approximately 160 years of experience in the financial services

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industry. Through their leadership, we have successfully focused our business and rapidly enhanced our competitive position. We believe our management team has demonstrated an ability to innovate and respond effectively to market opportunities.

Our Growth Strategy

We intend to grow our business by employing the following strategies:

Continue to Enhance our Competitive Position. We are committed to continuing to streamline and enhance our systems and to developing new proprietary data products with fast time-to-market and flexible formats. Our competitive pricing strategy, which provides volume discounts for high-volume users of our trade execution services, encourages large market participants to use The Nasdaq Market Center. We believe that our average trade execution fee per share is among the most competitive in the industry.

We also believe that the technology synergies we expect to derive from the INET acquisition will enable us to maintain our low-cost pricing structure and aggressively compete in trading non-Nasdaq-listed securities and that our fast electronic trading systems may take market share from the slower, more expensive floor-based exchanges and hybrid exchanges.

We are continuously reviewing our operations to identify additional opportunities for cost reduction consistent with our regulatory obligations.

In addition, we believe that the recently adopted Regulation NMS may have some positive implications for us. We believe that we will not incur material operating or development costs in bringing our systems into compliance with Regulation NMS. We believe that this contrasts with some of our floor-based competitors who may be required to incur costs and risks in creating new hybrid trading systems. We also believe that provisions in Regulation NMS that protect orders displayed on electronic execution systems by prohibiting executions at inferior prices by any market, exchange or broker/dealer may force orders to be routed to alternative pools of liquidity such as Nasdaq. Additionally, we believe increased electronic trading in listed securities will result in increased average daily trading volumes as trading becomes fully automated.

Expand Our Leadership in the Listings Business. We intend to aggressively compete for new listings to capture a substantial portion of initial public offerings. Of the 241 IPOs on U.S. equity markets during 2004, 148, or 61%, chose to list on The Nasdaq Stock Market, raising approximately \$15 billion in equity capital. Of the 213 IPOs on U.S. equity markets during 2005, 126, or 59%, chose to list on The Nasdaq Stock Market, raising approximately \$12.3 billion in equity capital. We intend to generate additional listings by persuading companies to switch to The Nasdaq Stock Market from other listing venues because listing fees and liquidity on our market compare favorably with those of other listing venues. For example, our maximum annual listing fee of \$75,000 is significantly lower than the NYSE's maximum annual listing fee of \$500,000. To the extent we gain new listings (whether from IPOs or as a result of switches from another listing venue), we will increase our listings revenues and increase the number of companies listed on The Nasdaq Stock Market, and may increase our quoting, reporting and trading revenues.

Pursue Strategic Acquisitions and Alliances. Our industry is in a period of transition across markets for various financial products on a global basis. This transition is progressing rapidly, as demonstrated by the recent strategic transactions and potential transactions in our industry. We regularly explore and evaluate strategic acquisitions and alliances, including assessing rating agency and regulatory implications and engaging in discussions with other industry participants, among other things, both in the United States and abroad, some of which could be material. We intend to pursue acquisitions and alliances with the objective of strengthening our current business and advancing our technology. In addition,

we continue to evaluate implications of strategic transactions involving other industry participants both in the United States and abroad. Our acquisitions of INET

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and Brut are part of this strategy. We believe that the successful integration of Brut's facilities and technology into our operations demonstrates our ability to successfully execute this strategy. While we continue to explore and evaluate strategic opportunities, which could evolve quickly, there can be no assurance whether we will enter into any strategic transactions and if so, on what terms.

Additionally, we have made and intend to continue to pursue strategic acquisitions and alliances that will allow us to provide our listed companies with additional products and services, enter new markets that complement our core competencies and build upon the Nasdaq brand name. Recent examples of these transactions include:

our acquisition of Shareholder.com, a firm specializing in shareholder communications and investor relations intelligence services;

our acquisition of Carpenter Moore Insurance Services, Inc., an insurance brokerage firm specializing in management liability; and

entering into a joint venture with Reuters to form Independent Research Network, which was formed to aggregate multiple, independent research providers to procure and distribute equity research on behalf of under-covered companies to increase the market's understanding of a company's fundamental prospects.

For a discussion of risks associated with these and any other future acquisitions or strategic transactions, including risks associated with the level of required financing, the impact on our stock price and demands on management, see **Risk Factors**.

Continue to Develop Our Products and Services and Increase Our Penetration. We will continue to enhance our existing products and services and develop new products and services to meet the evolving demands of our customers in a dynamic marketplace while at the same time reducing our operating expenses. We will also aggressively seek to increase our share of trading in NYSE-, Amex- and Nasdaq-listed securities and broaden our customer base by enhancing The Nasdaq Market Center through competitive pricing, new product offerings (like the Opening Cross and Closing Cross) and through the INET and Brut acquisitions. These recent acquisitions have increased our liquidity, which we believe enhances the value of our market data products and the attractiveness of listing on Nasdaq.

Exchange Registration

On January 13, 2006, the SEC approved our application for registration as a national securities exchange. We believe that we will benefit from exchange registration for the following reasons:

We will no longer have to share revenue from certain proprietary products that are currently part of an unlisted trading privileges plan, or UTP Plan, with certain other exchanges.

NASD will no longer have voting control over us and we will be able to more clearly establish our separate identity.

As a result of exchange registration, we will separate our regulated exchange activities from our other business operations through our adoption of a holding company corporate structure.

We will begin operating as an exchange once we satisfy certain conditions specified by the SEC. Although we expect to satisfy these conditions by the second quarter of 2006, some of these conditions require action by third parties and others require approval by the SEC. Accordingly, we can give no assurances that we will begin operating as an exchange in a timely manner.

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Recent Developments

On March 9, 2006, we submitted a non-binding indication of interest to acquire all of the shares of the LSE which was rejected by the LSE on March 10, 2006. We announced that we no longer intended to make an offer for the LSE on March 30, 2006. At that time, we reserved the right to announce an offer or possible offer or make and participate in an offer or possible offer for the LSE and/or take any other action which would otherwise be restricted under the rules of the United Kingdom City Code on Takeovers and Mergers, or the City Code, within the next six months with the consent of the United Kingdom Takeover Panel should one of the following events occur:

an agreement or recommendation from the Board of the LSE;

an announcement by a third party of an offer for or a merger with the LSE;

the LSE undertakes or announces an intention to undertake any acquisition or disposal of a material amount, or any material recapitalization other than the LSE's proposed return of capital to shareholders of up to GBP 510 million (where "material" is defined as 10% or more of the LSE's equity market capitalization as at the close of business on March 30, 2006);

the LSE announces a proposal for shareholder approval that would result in another person acquiring a 30% or greater shareholding without being required to make an offer for the remaining share capital or reverse takeover; or

there is a material change in circumstances.

On April 18, 2006, we acquired 38,100,000 shares or approximately 14.9% of the issued share capital of the LSE, at a price of GBP 11.75 per share. The total consideration represents approximately GBP 447.7 million (\$784.8 million). In connection with this purchase, we entered into a credit facility that provides for credit of up to \$1.925 billion of secured financing and currently have approximately \$385.0 million available to drawdown under this facility. See "Use of Proceeds" and "Description of Financing and Other Agreements." We continue to explore and evaluate our position with respect to the LSE and the purchase of additional LSE shares. We may purchase additional LSE shares at any time based on numerous factors, including strategic transactions and potential transactions in our industry, market conditions, LSE share trading prices and the availability of LSE shares for sale. If we choose to purchase additional LSE shares, we would likely incur additional debt.

Our net income for the first quarter of 2006 was \$18.0 million, or \$0.16 per diluted share, an increase of 41.7% from \$12.7 million or \$0.13 per diluted share in the first quarter of 2005, and an increase of 5.3% from \$17.1 million or \$0.15 per diluted share in the fourth quarter of 2005. These increases are primarily driven by contributions from recent acquisitions, improvements in trading market share, and our ongoing efforts to improve operational efficiency. Gross margin (revenues less cost of revenues) was \$162.0 million in the first quarter of 2006, an increase of 28.3% from \$126.3 million in the year-ago period, and an increase of 16.9% from \$138.6 million in the fourth quarter of 2005. During the first quarter of 2006, Market Services gross margin increased 44.5% to \$102.9 million from the first quarter of 2005, primarily due to INET results and increases in market share of trade executions for U.S. listed equities. Offsetting these increases was a decline in access services revenue as a result of the retirement of legacy products. During the first quarter of 2006, Issuer Services revenues increased 7.3% to \$58.9 million from the same period in the prior year, primarily as a result of revenues generated from recent acquisitions, including Carpenter Moore and Shareholder.com, which was partially offset by a decrease in revenues associated with the NASDAQ Insurance Agency, as well as reductions in issuer fee revenue. Total expenses increased 16.1% to \$120.2 million from \$103.5 million in the first quarter of 2005 and increased 14.0% from \$105.4 million in the prior quarter. Expenses increased as a result of the continuing INET integration and recent acquisitions.

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Included in total expenses for the first quarter 2006 are pre-tax charges of \$13.6 million relating to our continuing efforts to reduce operating expenses, improve the efficiency of our operations, and integrate INET. These charges include:

Technology Review We recorded depreciation and amortization expenses of \$11.9 million in the first quarter associated with our technology review, in which we changed the estimated useful life of some assets as we migrate to lower cost operating platforms and processes.

Workforce Reductions We recorded charges of \$1.7 million in the quarter for severance and outplacement costs.

Corporate Information

We are incorporated in Delaware. Our executive offices are located at One Liberty Plaza, New York, New York, 10006 and our telephone number is (212) 401-8700. Our web site is <http://www.nasdaq.com>. Information contained on our web site is not incorporated by reference into this prospectus supplement or the accompanying prospectus.

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THE OFFERING

Common stock offered	18,500,000 (21,275,000 if the underwriters exercise their overallotment option in full)
Shares outstanding after the offering	111,411,159 (114,186,159 if the underwriters exercise their overallotment option in full)
Use of proceeds	We plan to use all of the \$664.5 million of the net proceeds of this offering (after deducting underwriting discounts and offering expenses) to repay a portion of our indebtedness under the secured term loan facility of the New Credit Facility. We entered into the New Credit Facility on April 18, 2006 in connection with our purchase of 38,100,000 shares of the LSE for an aggregate purchase price of GBP 447.7 million, or approximately \$784.8 million.
Risk factors	See Risk Factors and other information included in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Listing	Our common stock currently trades on The Nasdaq National Market under the ticker symbol NDAQ.

Unless we indicate otherwise, all information in this prospectus supplement:

assumes 92,911,159 shares outstanding as of April 13, 2006 (such shares include 14,201,265 shares acquired or to be acquired from NASD upon exercise of warrants issued by NASD which are not currently registered. We plan to file a prospectus supplement with the SEC in May 2006 to allow holders to freely transfer such shares); and

excludes:

up to 452,516 shares of restricted stock issued to our employees and directors pursuant to equity compensation awards;

up to 10,721,484 shares of common stock issuable upon the exercise of options granted to our employees and directors, of which 3,791,391 were exercisable as of April 13, 2006 at a weighted average exercise price of \$9.29;

up to approximately 30.7 million shares of common stock issuable upon the conversion of our 3.75% convertible subordinated notes due October 2012 currently owned by Hellman & Friedman Capital Partners IV, L.P., or Hellman & Friedman, and SLP at a conversion price of \$14.50 per share, which are currently convertible but will not be freely transferable before September 8, 2006;

up to approximately 5.0 million shares of common stock issuable upon the exercise of warrants granted to Hellman & Friedman and SLP, which are currently exercisable at an exercise price of \$14.50 per share, but which will not be freely transferable before September 8, 2006; and

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up to approximately 0.1 million shares of common stock issuable upon the exercise of warrants granted to Softbank Corp. at an exercise price of \$16.00 per share.

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The table below contains summary historical financial and operating data of our company. The summary historical financial data as of and for the years ended December 31, 2003, 2004 and 2005 was derived from our audited consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. The summary historical financial data includes activity related to INET from December 8, 2005 through December 31, 2005 only. The summary historical financial data does not otherwise reflect the INET acquisition. This historical financial and operating information may not be indicative of our future performance.

The summary financial data should be read together with our consolidated financial statements and the related notes, pro forma financial statements and related notes from our Current Report on Form 8-K/A filed with the SEC on January 27, 2006 and Management's Discussion and Analysis of Financial Condition and Results of Operation, which are incorporated by reference in this prospectus supplement and the accompanying prospectus:

	Year Ended December 31,		
	2003	2004	2005
	(in thousands, except per share amounts)		
Statements of Income Data			
Revenues			
Market Services(1)	\$ 383,715	\$ 334,517	\$ 653,654
Issuer Services	204,186	205,821	226,033
Other	1,944	103	232
Total revenues	589,845	540,441	879,919
Cost of revenues(1)		55,845	353,908
Gross margin	589,845	484,596	526,011
Total direct expenses	492,745	430,825	370,569
Elimination of non-core product lines, initiatives and severance(2)	97,910		
Nasdaq Japan impairment loss	(5,000)		
Support costs from related parties, net	61,504	45,588	41,779
Total expenses	647,159	476,413	412,348
Operating income (loss)	(57,314)	8,183	113,663
Net income (loss) from continuing operations	(45,112)	1,804	61,690
Income (loss) from discontinued operations, net of tax(3)	(60,335)	9,558	
&n			