

# Nasdaq in spotlight as merger speculation heats up

By **Jonathan Spicer**

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(Reuters) - **Nasdaq** OMX Group (**NDAQ.O**) was at center stage as the exchange industry buzzed on Thursday with fresh merger speculation, despite a rash of failed plans underscored by London Stock Exchange Group Plc's (**LSE.L**) scuttled buyout of Canada's TMX Group Inc (**X.TO**) the day before.

U.S.-based Nasdaq is in the "preliminary stages" of weighing an approach to LSE, the Wall Street Journal reported on Thursday, citing a source familiar with the matter, though no **deal** approach had been made so far.

While Nasdaq and LSE declined to comment, shares of the two exchange operators rose as investors wagered the pair may have to do some sort of deal to keep pace with U.S. and European rivals that are bulking up.

"It would not surprise me to see Nasdaq and LSE talking. They're sort of the two spurned lovers," said Jamie Selway, market structure expert and managing director of strategy at Investment Technology Group.

Sandler O'Neill analyst Richard Repetto, in a note to clients, said a Nasdaq-LSE "merger-of-equals" could add nearly 20 percent to the **earnings** of the combined companies, assuming they are able to cut costs as sharply as exchanges have proven in recent years.

Yet with three of four big cross-border deals already killed this year -- including Nasdaq's bid for NYSE Euronext (**NYX.N**) -- executives may well tread cautiously in a world where nationalism, politics and antitrust concerns frustrate plans to revamp ownership of the world's capital **markets**.

The LSE-TMX failure "points to more **deals** with less people willing to do them," said Georges Ugeux, a former New York Stock Exchange executive vice president who now runs boutique investment bank Galileo Global Advisors.

"Some people will be much more careful."

Shares of LSE soared 11 percent on Thursday to their highest level since 2008. Nasdaq stock climbed 4.7 percent to a multi-week high on Wednesday, when LSE walked away from its deal for the Toronto Stock Exchange because it didn't have TMX shareholder support.

## DEAL MAKING AND BREAKING

Last month, Nasdaq Chief Executive Robert Greifeld dropped a joint counteroffer with IntercontinentalExchange Inc (**ICE.N**) for the Big Board parent in the face of U.S. **regulatory** resistance, leaving him on the sidelines.

NYSE shareholders vote next week on a merger with Germany's Deutsche Boerse AG (**DB1Gn.DE**), a blockbuster tie-up that would create the world's top exchange operator if it survives a tough antitrust review by the European Union.

Greifeld and LSE counterpart Xavier Rolet are seen as wounded by their dashed deals. Some analysts said neither can afford another failure, and that any tie-up between the two would likely have to be friendly.

Greifeld made two hostile bids for LSE back in 2006 before abandoning the effort in 2007 -- leaving some bad blood between the Nasdaq stock market parent and the British capital that could yet infect a future deal.

LSE was then run by Clara Furse.

"I believe that at this stage the LSE shareholders would be willing to sell at a loss" if they found the right partner, said Ugeux, who advises exchanges. "They're disenchanted with the fact that they don't see a global perspective for the LSE with the failure of the TMX deal."

LSE had discussions with numerous parties before announcing its \$3.7 billion bid for TMX in February, a source familiar with the talks told Reuters.

A separate source said Greifeld held talks with Toronto Stock Exchange parent TMX about six months ago. TMX said on Thursday it is not now in deal discussions with any groups.

Singapore Exchange Ltd ([SGXL.SI](#)) could also jump back into the fray after its friendly tie-up with Australia's ASX Ltd ([ASX.AX](#)) was blocked by Australia's government.

"Global exchange consolidation is not off the table," Repetto said, "but rather has a higher bar than what some management and investment banking advisers had previously suspected."

(Additional reporting by [Paritosh Bansal](#) in New York and [Victoria Howley](#) in London; Editing by Lisa Von Ahn, John Wallace, [Bernard Orr](#) and Steve Orlofsky)