

MarketAxess Europe Limited



Strategic Report, Directors' Report and Financial
Statements
Registered number: 4017610

For the year ended 31 December 2019



MarketAxess Europe Limited

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MarketAxess Europe Limited

DIRECTORS AND OFFICERS

DIRECTOR

Mr C P D Roupie

NON-EXECUTIVE DIRECTORS

Mr R M McVey

Mr J N B Rucker

Mr W F Cruger

COMPANY SECRETARY

Mrs M R Morad

COMPANY NUMBER

4017610

REGISTERED OFFICE

(10th Floor)
5 Aldermanbury Square
London
EC2V 7HR
England

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Strategic report for the year ended 31 December 2019

The directors present their strategic report for MarketAxess Europe Limited (the "Company") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company operates a leading electronic trading platform that enables fixed-income market participants to efficiently trade corporate bonds and other types of fixed-income instruments using our patented trading technology. The Company is authorised and regulated as an operator of a Multilateral Trading Facility ("MTF") following implementation of the Markets in Financial Instruments Directive with the Financial Conduct Authority ("FCA") in the United Kingdom. As a regulated trading venue, participation on the MTF is subject, inter alia, to the provisions of the member agreement and MTF Rulebook (available on the Company website: www.marketaxess.com).

Our platform provides access to global liquidity in bonds denominated as high-grade, emerging markets, high-yield, sovereign, supranational and agency instruments, and other fixed income securities.

Traditionally, bond trading has been a manual process, with product and price discovery conducted over the telephone between two or more parties. This traditional process has a number of shortcomings resulting primarily from the lack of a central pool of liquidity for these securities, which makes it difficult to match buyers and sellers for particular bonds. Many corporate bond trading participants use e-mail and other electronic means of communication for trading corporate bonds. While this has addressed some of the shortcomings associated with traditional corporate bond trading, the directors believe that the process is still hindered by limited liquidity, limited price transparency, significant transaction costs, compliance and regulatory challenges, and difficulty in executing numerous trades at one time.

The core business of the Company is based on two principal trading protocols: a disclosed Request-for-Quote ("RFQ") protocol, and an anonymous all-to-all protocol namely Open Trading™.

Disclosed RFQ – Dealer to Client

An RFQ is an electronic inquiry which mimics a telephone inquiry, whereby an interested investor would personally contact various liquidity providers over the phone that is known to him/her, to request a quote. An electronic RFQ allows multiple messages to be sent simultaneously in a systemised and more technologically efficient way, to the same recipients.

In this way, our platform facilitates trades between broker-dealer clients ("Dealers") and institutional investors ("Clients") who have established permissioned bilateral relationships with each other outside of the MTF. This manner of trading (Dealer to Client RFQ) is the most commonly used protocol in fixed income markets and is conducted on a fully-disclosed basis (i.e. the parties know who each other are at all relevant times).

Transactions executed according to the disclosed RFQ protocol are therefore entered into on a bilateral basis between Clients and/or Dealers, hence the terminology "D2C" or "Dealer to Client". Through our disclosed multi-dealer RFQ trading functionality, our institutional investor clients can determine prices available for a security, a process called price discovery, and then trade those securities directly with our broker-dealer clients. The price discovery process includes the ability to view indicative prices from the broker-dealer clients' inventory available on our platform, access to real-time pricing information, analytical tools and the ability to request executable bids and offers simultaneously from all of our participating broker-dealer clients during the trade process.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Strategic report for the year ended 31 December 2019 (continued)

PRINCIPAL ACTIVITIES (continued)

On average investor clients receive several bids or offers from broker-dealer clients in response to trade inquiries.

Open Trading™ – All to All

Open Trading™ was developed by the Company to facilitate trading between any participants on the Platform, even if they do not have established relationships with each other, and thereby expanding the sources of liquidity available.

Our services relating to trade execution include single and multiple-dealer inquiries; list trading, which is the ability to request bids and offers on multiple bonds at the same time; and switch trading, which is the ability to request an offer to purchase one bond and a bid to sell another bond, in a manner such that the two trades will be executed simultaneously, with payment based on the price differential of the bonds. Once a trade is completed on our platform, the broker-dealer client and institutional investor client may settle the trade with the assistance of our automated post-trade messaging, which facilitates the communication of trade acknowledgment and allocation information between our institutional investor and broker-dealer clients.

We are not a party to the RFQ trades that occur on our platform between clients and dealers; rather we enable them to meet, agree on a price and then transact with each other. The Company's affiliate MarketAxess Capital Limited acts as the matched principal trading counterparty for Open Trading transactions executed on the MTF.

The majority of our revenues are derived from commissions for trades executed on our platform that are billed to our broker-dealer clients on a monthly basis. Our expenses consist of employee compensation and benefits, depreciation and amortization, technology and communication expenses, professional and consulting fees, occupancy, marketing and advertising and other general and administrative expenses.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The European credit markets are experiencing unprecedented market structure changes due in part to wide-reaching regulations.

Through the course of the year we continued to add functionality to our trading platform and delivered additional trade data information content to our clients. We seek to grow and diversify our revenues by capitalising on our status as the operator of a leading platform for the electronic trading of corporate bonds and certain other types of fixed-income securities.

68 broker-dealer market-maker clients provide liquidity on the platform and include most of the leading broker-dealers in fixed-income trading. More than 350 active institutional investor firms use our platform to trade bonds.

Both clients and dealers have embraced protocol changes, resulting in increased trading volumes and deeper penetration into leading institutional accounts. Like-for-like Turnover increased by 22%, with profit before taxation up 7%, against 2018.

The intelligent use of market data has also helped improve the trading experience on the platform. Through fellow subsidiary Xtrakter Limited, the Company has integrated a number of data tools to help participants thoughtfully approach the market.

MarketAxess Europe Limited

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Strategic report for the year ended 31 December 2019 (continued)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

The Company and Trax® have collaborated on the development of the "Composite+ (CP+)". The composite price is updated every 15 to 60 seconds (depending on the liquidity of the instrument). The engine generates nearly 20 million levels per day covering 90-95% of trading activity in its markets.

PRINCIPAL RISKS AND UNCERTAINTIES

Economic, Political and Market Factors

The global fixed-income securities industry is risky and volatile and is directly affected by a number of economic, political and market factors that may result in declining trading volumes. These factors could have a material adverse effect on our business, financial condition and results of operations. These factors include, among others, credit market conditions; the current interest rate environment (including the volatility of interest rates and investors' forecasts of future interest rates), the economic and political conditions in the United States, Europe and elsewhere and consolidation or contraction in the number of broker-dealers.

The effect of the coronavirus outbreak is having a direct and indirect impact to the global economy. The Company cannot predict the potential future effect, however it is taking actions to mitigate the impact to the Company. Employees have been working remotely during the lockdown, with no disruption to clients or services.

Competitive Landscape

The global fixed-income securities industry generally, and the electronic financial services markets in which we engage in particular, are highly competitive, and we expect competition to intensify in the future. Sources of competition for us will continue to include, among others, bond trading conducted directly between broker-dealers and their institutional investor clients over the telephone or electronically and other multi-dealer trading companies. Competitors, including companies in which some of our broker-dealer clients have invested, have developed or acquired electronic trading platforms or have announced their intention to explore the development of electronic platforms that may compete with us.

In general, we compete on the basis of a number of key factors, including, among others, the liquidity provided on our platform, the magnitude and frequency of price improvement enabled by our platform and the quality and speed of execution. We believe that our ability to grow volumes and revenues will largely depend on our performance with respect to these factors.

Our competitive position is also enhanced by the familiarity and integration of our broker-dealer and institutional investor clients with our electronic trading platform and other systems. We have focused on the unique aspects of the credit markets we serve in the development of our platform, working closely with our clients to provide a system that is suited to their needs.

Rapid Technological Changes

We must continue to enhance and improve our electronic trading platform. The electronic financial services industry is characterized by increasingly complex systems and infrastructures and new business models. Our future success will depend on our ability to enhance our existing products and services, develop and/or license new products and technologies that address the increasingly sophisticated and varied needs of our existing and prospective broker-dealer and institutional investor clients and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Strategic report for the year ended 31 December 2019 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Regulatory Environment

Our industry has been and is subject to continuous regulatory changes and may become subject to new regulations or changes in the interpretation or enforcement of existing regulations, which could require us to incur significant costs. Regulatory developments impacting the company include CSDR, SMCR and IFR.

MiFID II and MiFIR were implemented in 2018 and introduced significant changes in market structure including a requirement which has not yet been implemented, to establish a consolidated tape for trade data. MiFID II was also intended to help improve the functioning of the E.U. single market by achieving a greater consistency of regulatory standards. MiFID II has caused us since its implementation to expend significantly more compliance, business and technology resources, to incur additional operational costs and has created additional regulatory exposure for our business. While we generally believe the net impact of the rules and regulations will be positive for our businesses, unintended consequences of the rules and regulations may adversely affect us in ways yet to be determined.

Historically, the Company has utilized its FCA authorization to provide regulated services to our European clients domiciled outside of the U.K. in reliance on the so called MiFID passport. However, the U.K. ceased to be a member of the E.U. on January 31, 2020 (commonly referred to as "Brexit"), triggering a period during which the U.K. will continue to observe applicable E.U. regulations through December 31, 2020 or any later extension date (the "Transition Period"). In preparation for Brexit, a fellow subsidiary (of the Parent), MarketAxess NL BV (MANL), obtained (in 2019) a licence to operate an MTF in the Netherlands from the Dutch Autoriteit Financiële Markten. During the Transition Period, the Company is able to continue to provide regulated services to its European clients in reliance on its cross-border services passport, although the majority of such clients are already being serviced by MANL.

Although negotiations to determine the future terms of the U.K.'s relationship with the E.U. are continuing, based upon the current state of those negotiations, we expect that the MarketAxess group will rely on MANL to provide the electronic trading platform to participants in the E.U. following the end of the Transition Period.

Brexit is also expected to lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate, which may impact our ability to comply with the extensive government regulation to which we are subject. In addition, the cost and complexity of operating across increasingly divergent regulatory regimes could increase following Brexit. Brexit has also required us to make changes to the technology underlying our trading platforms and regulatory reporting systems which has resulted in new regulatory and operational costs and challenges. Changes to U.K. immigration policy will also occur as a result of Brexit and our access to, and our ability to compete for and hire, skilled employees in both the U.K. and the E.U. is expected to become more constrained.

Relevant regulations prohibit repayment of borrowings to MarketAxess Limited (the "Parent") or their affiliates, or otherwise entering into transactions that result in a significant reduction in regulatory net capital or financial resources, without prior notification to, or approval from the FCA.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Strategic report for the year ended 31 December 2019 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit Risk

MarketAxess Capital Limited, a fellow subsidiary, was established as a result of Article 19(5) of MiFID II which prohibits firms operating a MTF from engaging in matched principal trading. MarketAxess Capital Limited acts as the matched principal trading counterparty for Open Trading transactions executed on the MTF.

Trends in Our Business

The majority of our revenues are derived from commissions for transactions executed on our platform. We believe that there are five key variables that impact the notional value of such transactions on our platform and the amount of commissions earned by us:

- the number of participants on the platform and their willingness to originate transactions through the platform;
- the number of broker-dealers on the platform and the frequency and competitiveness of the price responses they provide on our platform;
- the number of markets for which we make trading available to our participants;
- the overall level of activity in these markets; and
- the level of commissions that we collect for trades executed through the platform.

We believe that overall corporate bond market trading volume is affected by various factors including the absolute levels of interest rates, the direction of interest rate movements, the level of new issues of corporate bonds and the volatility of corporate bond spreads versus benchmark government bonds. Because our revenue is tied directly to the volume of securities traded on our platform, it is likely that a general decline in trading volumes, regardless of the cause of such decline, would reduce our revenues and have a significant negative impact on profitability.

Our objective is to provide the leading European electronic trading platform for fixed-income securities, connecting broker-dealers and institutional investors more easily and efficiently, while offering a broad array of information, trading and technology services to market participants across the trading cycle.

REVIEW OF STRATEGY AND BUSINESS MODEL

The key elements of our strategy are:

Enhance the Liquidity of Securities Traded on Our Platform and Broaden Our Client Base in Our Existing Markets

We intend to further enhance the liquidity of securities traded on our leading electronic, multi-dealer to client fixed-income platform. Our ability to innovate and efficiently add new functionality and product offerings to the MarketAxess platform will help us deepen our market share with our existing clients, as well as expand our client base, which we believe will, in turn, lead to even further increases in the liquidity of the securities provided by our broker-dealer clients and available on our platform. We will seek to increase the amount of cross-regional activity by our institutional investor clients on our electronic trading platform, subject to regulatory requirements.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Strategic report for the year ended 31 December 2019 (continued)

REVIEW OF STRATEGY AND BUSINESS MODEL (continued)

Leverage our Existing Client Network and Technology to Increase Counterparties and Improve Liquidity

Due to regulatory changes that have caused significant reductions in primary dealer corporate bond balance sheets, our broker-dealer and institutional investor clients need new and innovative electronic trading solutions to promote secondary market liquidity. We intend to continue to develop and deploy a wide range of electronic trading protocols to complement our traditional RFQ model.

Leverage our Existing Technology and Client Relationships to Expand into New Sectors of the Fixed-Income Securities Market

We intend to leverage our technology, as well as our strong broker-dealer and institutional investor relationships, to deploy our electronic trading platform into additional product segments within the fixed-income securities markets and deliver fixed-income securities-related technical services and products. Due in part to our highly scalable systems, we believe we will be able to enter new markets efficiently.

Continue to Strengthen and Expand our Trade-Related Service Offerings

We plan to continue building our existing service offerings so that our electronic trading platform is more fully integrated into the workflow of our broker-dealer and institutional investor clients. We expect to continue to add functionality to enhance the ability of participants to achieve a fully automated, end-to-end straight-through processing solution (automation from trade initiation to settlement).

SECTION 172 STATEMENT

As set out in section 172 of the UK Companies Act 2006 (the 'Act'), the directors must act in good faith to promote the success of the Company for the benefit of its stakeholders as a whole. In performing their duty, under the Act, the Board is required to have full regard to, amongst other things: the interests of our colleagues; the impact of our operations on the community and environment; the need to foster the Company's business relationships with suppliers, clients and others; and the need to nurture our relationship with key stakeholders in order to maintain a reputation for high standards of business conduct and enhance the sustainable long term success of the business.

The directors give careful consideration to the factors set out above in discharging their duties. The directors are supported in the discharge of their duties by:

- An induction programme and ongoing training to provide an understanding of our business, financial performance and prospects;
- Management, who present proposals to the Board for decision, include relevant information to enable them to determine the action that would most likely promote the success of the Company; and
- Agendas for the Board meetings are structured to provide sufficient time for the consideration and discussion of key matters.

Stakeholder Engagement

Building strong relationships with our stakeholders will help achieve our ambition and promote the long term success of the Company. Our stakeholders that we consider in this regard are our employees, clients, shareholder, suppliers and our regulator. Our clients' voices are heard through our interactions with them, surveys, listening to and engaging with them on social media and from their complaints. As a wholly owned subsidiary, we also benefit from certain engagement practices which take place at the ultimate Parent level.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Strategic report for the year ended 31 December 2019 (continued)

REVIEW OF STRATEGY AND BUSINESS MODEL (continued)

Colleague Engagement

Enhancing colleague engagement is an integral part of the Company's strategy. Management, including the directors, are actively involved in the engagement of colleagues through regular leadership calls and all colleague web-casts to keep the workforce up-to-date on business developments and answer submitted questions. The Board receives regular updates from the Head of Europe & Asia, and Head of HR Europe & Asia on colleague matters, including feedback received through our regular external and internal colleague surveys. During the year, directors have also had opportunities to directly engage with local management and other colleagues.

Consideration Of Stakeholders In Principal Decisions

The maintenance of a reputation for high standards of business conduct and the likely consequences of the Board's actions in the long-term, are taken into account in the Board's discussions and in their decision making process under section 172 of the Act. During the period, the Board received information to support its understanding of the interests and views of our key stakeholders, as appropriate, as part of the decision making process, including reports and presentations on our financial and operational performance, key performance indicators ('KPIs') on non-financial aspects of performance, including people, clients, culture and values, diversity, sustainability, risk and the outcomes of specific pieces of engagement (for example, the results of client and colleague surveys).

The Board delegates authority for day-to-day management of the Company to the management team and engages management in setting, approving and overseeing execution of the business strategy and related policies. Management conduct much of the Company's primary engagement with both internal and external stakeholders, including regulators, with the outputs of this engagement activity providing critical insight and perspectives for the Board when taking decisions or challenging management in respect of decisions made on behalf of the Company. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ. Board decisions will not necessarily result in a positive outcome for all of our stakeholders, but by considering our purpose, values and ambition, and having due regard for stakeholder relationships, the Board aims to ensure that its decisions promote the long-term success of the Company.

The Board is responsible for reviewing the Company's strategy and approving the risk appetite, annual Budget, and dividend proposed by management.

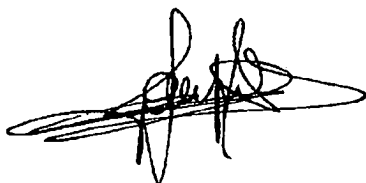
Sustainable Operations

The Company is committed to playing its part in supporting the transition to a low-carbon economy, both internally through our operations and externally by supporting our clients on their own transition journey.

KEY PERFORMANCE INDICATORS ("KPI's")

Given the nature of the business, the directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board



Mr C P D Roupie
Director
23 April 2020

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Directors' report for the year ended 31 December 2019

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The Statement of Comprehensive Income for the year is set out on page 16. The profit for the financial year was £25,469,140 (2018: profit of £23,725,992). In the financial year ending 31 December 2019, the company paid an interim dividend of £4,500,000 (2018: £15,000,000) to the Parent company. No final dividend (2018: £nil) is recommended for the year.

The directors consider the year-end financial position to be in line with their expectations.

GOING CONCERN

After performing relevant assessments, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue to operate for at least the next 12 months after the date of approving these financial statements. For this reason, the directors continue to adopt the 'going concern' basis in preparing the financial statements.

EU CAPITAL REQUIREMENTS DIRECTIVE

The Company's Pillar 3 Disclosure Statement is available on our website – www.marketaxess.com.

DIRECTOR

The director of the Company during the year, and as at the date of this report was:

Name	Date of Appointment
Mr C P D Roupie	19 April 2017

NON EXECUTIVE DIRECTORS

The non-executive directors of the Company during the year, and as at the date of this report, were:

Name	Date of Appointment
Mr R M McVey	9 May 2001
Mr J N B Rucker	5 November 2015
Mr W F Cruger	13 April 2016

CREDITORS PAYMENT POLICY

For all trade creditors, it is the Company's policy to pay according to the standard payment terms of the individual supplier.

The Company had 15 days (2018: 9) of purchases outstanding as at 31 December 2019.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Directors' report for the year ended 31 December 2019 (continued)

DIRECTORS' INSURANCE

The Company maintains insurance for directors in respect of their duties as directors of the Company which was in force during the year and also at the date of approval of the financial statements.

POLITICAL DONATIONS AND POLITICAL EXPENDITURE

No political donations were made during the year (2018: £nil).

GENERAL INFORMATION

For information about the Company's risk management and future developments please see the Strategic Report.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418, in the case of each director in office at the date the directors' report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Directors' report for the year ended 31 December 2019 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

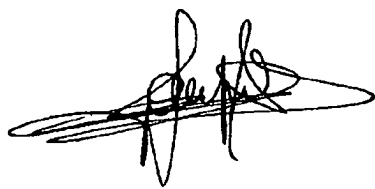
AUTHORITY FOR ISSUE OF FINANCIAL STATEMENTS

The Company's owners or others do not have the power to amend the financial statements after issue.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

On behalf of the board

A handwritten signature in black ink, appearing to be 'C P D Roupie', with a large, sweeping horizontal stroke underneath.

Mr C P D Roupie
Director
23 April 2020

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Independent auditors' report to the members of MarketAxess Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion, MarketAxess Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Independent auditors' report to the members of MarketAxess Europe Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 11 and 12, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Independent auditors' report to the members of MarketAxess Europe Limited (continued)


Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Christopher Shepherd (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 April 2020

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Statement of Comprehensive Income for the year ended 31 December 2019

	<i>Notes</i>	2019 £'000	2018 £'000
Turnover	2	47,606	43,066
Operating Expenses		(15,971)	(13,796)
Operating Profit		31,635	29,270
Finance (expense) / income	3	(115)	131
Profit before tax	4	31,520	29,401
Income tax expense	7	(6,051)	(5,675)
Profit for the year		25,469	23,726
Other comprehensive income / (expense)			
Changes in fair value of debt instruments at fair value through other comprehensive income / (expense)		15	(16)
Total other comprehensive income / (expense) for the year		15	(16)
Total comprehensive income for the year		25,484	23,710

- (i) The total comprehensive income for the year is all attributable to continuing operations;
- (ii) The total comprehensive income for the year is attributable to the owners of the Parent.

The notes on pages 20 to 38 form part of these financial statements.

MarketAxess Europe Limited

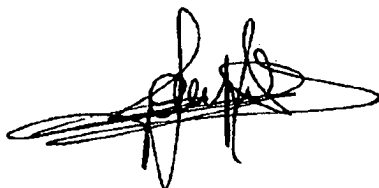
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Statement of Financial Position as at 31 December 2019

		2019	2018
		£'000	£'000
ASSETS	<i>Notes</i>		
Non-current assets			
Intangible assets	8	386	-
Property, plant and equipment	8	2,507	2,152
Financial assets at fair value through other comprehensive income	9,15	4,785	2,009
Deferred income tax asset	12	1,036	234
Right of Use asset	21	9,216	-
		17,930	4,395
Current assets			
Trade and other receivables	10	10,201	12,160
Financial assets at fair value through other comprehensive income	9,15	5,852	5,298
Cash and cash equivalents		45,493	22,082
		61,546	39,540
Total assets		79,476	43,935
Current liabilities			
Trade and other payables	13	(8,154)	(6,264)
Current income tax liabilities		(1,974)	(1,859)
Lease liability		(890)	-
Net current assets		50,528	31,417
Non-current liabilities			
Provisions	13	(95)	(953)
Lease liability	21	(9,195)	-
Net assets		59,168	34,859
EQUITY			
Share capital	14	6,468	6,468
Retained earnings		52,701	28,407
Other reserves		(1)	(16)
Total equity		59,168	34,859

The financial statements on pages 16 to 19, including the notes on pages 20 to 38, were approved by the Board of Directors on 23 April 2020 and signed on its behalf by:

Mr C P D Roupie
Director
23 April 2020



MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Statement of Cash Flows for the year ended 31 December 2019

		2019 £'000	2018 £'000
Cash flows from operating activities	Notes		
Profit before tax		31,520	29,401
Adjustment for:			
Depreciation	8,21	1,485	565
Amortisation		8	-
Stock based compensation expense		2,817	1,015
Interest payable on operating leases	3	315	-
Finance income	3	(200)	(131)
<i>Changes in working capital:</i>			
Decrease / (Increase) in trade and other receivables		1,959	(3,312)
Increase in trade and other payables		2,057	402
Cash generated from operations		39,961	27,940
Net income tax paid		(6,231)	(6,410)
Net cash generated from operating activities		33,730	21,530
Cash flows from investing activities			
Finance income	3	200	131
Purchase of Financial assets at fair value through other comprehensive income		(3,315)	(319)
Purchase of intangible assets	8	(394)	-
Purchase of property, plant and equipment		(948)	(199)
Net cash used in investing activities		(4,457)	(387)
Cash flows from financing activities			
Ordinary dividends paid		(4,500)	(15,000)
Repayment of borrowings and leasing liabilities		(1,362)	-
Net cash used in financing activities		(5,862)	(15,000)
Net Increase in cash and cash equivalents		23,411	6,143
Cash and cash equivalents as at 1 January		22,082	15,939
Cash and cash equivalents as at 31 December		45,493	22,082

The notes on pages 20 to 38 form part of these financial statements.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Statement of Changes in Equity for the year ended 31 December 2019

	Share capital	Retained earnings	Other reserves	Total Equity
	£'000	£'000	£'000	£'000
Balance as at 1 January 2018	6,468	18,692	-	25,160
Profit for the year	-	23,726	-	23,726
Changes in fair value of debt instruments at fair value through other comprehensive expense	-	-	(16)	(16)
Share based compensation plan	-	1,015	-	1,015
Dividends	-	(15,000)	-	(15,000)
Tax expense on share based compensation plan	-	(26)	-	(26)
Balance as at 31 December 2018	6,468	28,407	(16)	34,859
Profit for the year	-	25,469	-	25,469
Changes in fair value of debt instruments at fair value through other comprehensive income	-	-	15	15
Share based compensation plan	-	2,817	-	2,817
Dividends	-	(4,500)	-	(4,500)
Tax credit on share based compensation plan	-	508	-	508
Balance as at 31 December 2019	6,468	52,701	(1)	59,168

The total equity is attributable to the owners of the Parent.

The notes on pages 20 to 38 form part of these financial statements.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Notes to the Financial Statements for the year ended 31 December 2019

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

(i) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Standards Interpretations Committee ("IFRS-IC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

(ii) Basis of preparation

The financial statements have been prepared on the going concern basis and under the historical cost convention, except for the following:

- Financial assets / liabilities held for trading – measured at fair value through profit and loss.
- Financial assets at fair value through other comprehensive income – measured at fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience.

(iii) New and amended standards adopted by the Company

In preparing the financial statements for the current year, the Company has applied the following standards and amendments for the first time commencing 1 January 2019:

- IFRS 16 Leases

The Company had to change its accounting policies as a result of adopting IFRS 16. The group adopted the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. Refer to Operating Leases within accounting policies.

(iv) New standards and interpretations not yet adopted.

The company has not elected to adopt the following amendments early:

- Definition of Material – Amendments to IAS 1 and IAS 8

These accounting standard amendments are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES (continued)

(v) Financial assets and liabilities

Classification of financial assets and liabilities as required under IFRS 9:

- measured at amortised cost,
- fair value through other comprehensive income (FVOCI), and
- fair value through profit or loss (FVPL).

Classification is generally based on the business in which a financial asset is managed and its contractual cash flows.

Under IFRS 9, assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest ("SPPI"), are measured at fair value through other comprehensive income (FVOCI). The movements in the carrying amount are taken through OCI and recognised in Other reserves, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses which are recognised in the profit and loss. When the financial asset is derecognised, the cumulative gain and loss previously recognised in Other reserves is reclassified to Retained earnings and is not recycled through the Statement of Comprehensive Income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

All other financial assets are initially recognized at fair value and subsequently carried at amortised cost using the Effective Interest Rate (EIR) method.

Impairment of financial assets

Under IFRS 9, the company applies an 'expected credit loss' model. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention and ability to settle on a net basis, or realise the asset and settle the liability simultaneously.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES (continued)

(vii) Intangible assets

The Company capitalises certain costs associated with the development of internal use software, including among other items, employee compensation and related benefits and third party consulting costs, at the point at which the conceptual formulation, design and testing of possible software project alternatives have been completed. Once the product is ready for its intended use, such costs are amortized on a straight-line basis over three years. The Company reviews the amounts capitalised for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable.

(viii) Property, plant and equipment

The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost less the estimated residual values of fixed assets on a straight line basis over their estimated useful lives as follows:

Leasehold improvements	- over the shorter of life of the improvement or the remaining term of the lease.
Computer equipment	- over 3 years
Furniture, fixtures & fittings	- over 7 years

The asset residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying values of tangible assets are reviewed for impairment if events and changes in circumstances indicate carrying values may not be recoverable.

(ix) Revenue recognition

The majority of the Company's revenue is derived from commission for trades executed on its platform. Commissions crystallise on the trade date and are generally calculated as a percentage of the notional volume of bonds traded on the platform.

(x) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Statement of Financial Position.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES (continued)

(xi) Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at fair value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise balances with a maturity of not more than three months including: cash in hand; deposits held on call with banks; and other short-term, highly liquid investments which are subject to insignificant risk of change in fair value.

(xii) Pension costs

The Company operates a Company Personal Pension scheme for employees. This is a defined contribution scheme, and the costs of the scheme are charged to the Statement of Comprehensive Income as incurred.

(xiii) Operating leases

The Company has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The Company has operating leases for corporate offices with initial lease terms ranging from one-year to 9 years. Certain leases contain options to extend the initial term at the Company's discretion. The Company accounts for the option to extend when it is reasonably certain of being exercised. The Company's lease agreements do not contain any material residual value guarantees, restrictions or covenants. The company has no finance leases.

The Company determines whether an arrangement is, or includes, a lease at contract inception. Operating lease right-of-use assets and liabilities are recognized at commencement date and are initially measured based on the present value of lease payments over the defined lease term. As the Company's leases do not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at the adoption date in determining the present value of lease payments.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES (continued)

(xiii) Operating leases (continued)

(a) Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

(b) Measurement of lease liabilities

	2019
	£'000
Operating lease commitments disclosed as at 31 December 2018	7,273
Discounted using the lessee's incremental borrowing rate of at the date of initial application	5,987
	<hr/>
Lease liability recognised as at 1 January 2019	5,987
Of which are:	<hr/>
Current lease liabilities	1,411
Non-current lease liabilities	4,576
	<hr/>
	5,987

(xiv) Foreign currencies

The financial statements are presented in Sterling, which is the Company's functional and presentational currency. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are re-translated at the prevailing exchange rate at the end of the reporting period. Gains and losses on foreign exchange are recognised in the Statement of Comprehensive Income in the year in which they arise.

(xv) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligations.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES (continued)

(xvi) Share capital

Ordinary shares are classified as equity.

(xvii) Dividends

Dividends to the Company's shareholder are recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholder.

(xviii) Critical accounting estimations and judgements

There were no critical accounting estimations and judgements applied in the preparation of these financial statements except for those used in the valuation of share-based payments as described in note 11, and the fair value estimation of financial assets and liabilities as described in note 15.

(xix) Share based compensation

The Company's employees participate in the equity-settled share-based payment schemes of MarketAxess Holdings Inc., the Company's ultimate parent undertaking. Share-based payments are measured at fair value at the date of award. The cost is recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in the cumulative expense in the Statement of Comprehensive Income. The fair value of share options is measured using a valuation model.

2. TURNOVER

Turnover comprises of amounts invoiced to broker-dealers by the Company and revenue received from MarketAxess Corporation which factors in the Company's contribution to North American product trading volumes.

	2019	2018
<i>Turnover comprises:</i>	£'000	£'000
RFQ	47,606	43,066
	<u>47,606</u>	<u>43,066</u>

MarketAxess NL BV commenced trading on the 1 April 2019 with RFQ revenue of £4,721,000 for the period ended 31 December 2019. Like-for-like revenue therefore increased by 22% against 2018.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

3. FINANCE (EXPENSE) / INCOME	2019	2018
	£'000	£'000
Interest receivable on deposits and other bank accounts	155	71
Interest receivable on debt securities	45	60
Interest payable on operating leases (Note 21)	(315)	-
	(115)	131

4. PROFIT BEFORE TAX	2019	2018
	£'000	£'000
Profit before tax is stated after charging:		
Employee Benefit Expense (Note 5)	19,696	14,406
Depreciation of Property, Plant and Equipment and amortisation of Intangible assets		
- Intangible Assets	8	-
- Owned Assets	593	565
Operating Lease Related Charges		
- Lease Depreciation (Note 21)	892	-
- Other	267	1,156
Auditors' Remuneration:		
- Audit Fees	118	112
- Audit related services	9	9
Foreign Exchange loss	506	233

5. EMPLOYEE BENEFIT EXPENSE	2019	2018
	£'000	£'000
The aggregate payroll costs were as follows:		
Wages and Salaries	13,505	11,386
Social Security Costs	2,843	1,662
Other Pension Costs	531	343
	16,879	13,391
Share-Based Compensation Costs	2,817	1,015
Staff Costs (Note 4)	19,696	14,406

The Company operates a defined contribution pension scheme, where £89,959 (2018: £67,609) was outstanding at the balance sheet date.

Employee costs recharge to fellow subsidiaries during the year was £2,848,538 (2018: £1,066,352).

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

6. EMPLOYEE INFORMATION

	2019	2018
The average monthly number of persons (including executive directors) employed by the Company during the year was:	117	103
By activity:		
Administration	31	27
Client Sales	38	37
Client Services	21	18
Technology	27	21
	<u>117</u>	<u>103</u>

7. INCOME TAX EXPENSE

	2019 £'000	2018 £'000
(a) Analysis of tax charge in the year		
Current Tax:		
Current tax on income for the year	6,425	5,718
Adjustments in respect of previous years	(8)	46
Total current tax	<u>6,417</u>	<u>5,764</u>
Deferred Tax:		
Reversal of timing differences	(378)	(89)
Adjustments in respect of previous years	12	-
Total deferred tax	<u>(366)</u>	<u>(89)</u>
Income tax expense	<u>6,051</u>	<u>5,675</u>
Statement of Changes in Equity		
Deferred tax impact of stock based compensation	(436)	168

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

7. INCOME TAX EXPENSE (continued)

(b) The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	31,520	29,401
Current tax @ 19% (2018: 19%)	5,989	5,586
Effect of:		
Permanent differences	58	43
Adjustments in respect of previous years	4	46
Total tax charge for year	6,051	5,675

8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Intangible Assets £'000
Cost	
At 1 January 2019	180
Additions	394
At 31 December 2019	574
Accumulated Amortisation	
At 1 January 2019	(180)
Charge for the year	(8)
At 31 December 2019	(188)
Net book value	
At 31 December 2019	386
At 31 December 2018	-

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (continued)

	Leasehold Improvements	Computer Equipment	Furniture, Fixtures & Fittings	Total
<i>Cost</i>	£'000	£'000	£'000	£'000
At 1 January 2019	2,495	2,366	609	5,470
Additions	715	233	-	948
At 31 December 2019	3,210	2,599	609	6,418
<i>Accumulated Depreciation</i>				
At 1 January 2019	(970)	(1,910)	(438)	(3,318)
Charge for the year	(188)	(318)	(87)	(593)
At 31 December 2019	(1,158)	(2,228)	(525)	(3,911)
<i>Net book value</i>				
At 31 December 2019	2,052	371	84	2,507
At 31 December 2018	1,525	456	171	2,152

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

Financial assets at fair value through OCI include the following:	2019	2018
	£'000	£'000
Debt securities with fixed interest ranging from 0.625% to 4.25% (2018: 1.125% to 3.875%)	10,637	7,307
	<u>10,637</u>	<u>7,307</u>

Financial assets at fair value through OCI maturities are as follows:	2019	2018
	£'000	£'000
Less than one year	5,852	5,298
Due in 1-5 years	4,785	2,009
	<u>10,637</u>	<u>7,307</u>

Financial assets at fair value through OCI are denominated in GBP.

The fair values are within level 2 of the fair value hierarchy (see note 15).

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as Financial assets at fair value through OCI.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

10. TRADE AND OTHER RECEIVABLES	2019 £'000	2018 £'000
Falling due within one year:		
Trade receivables	3,389	2,708
Amounts owed by group undertakings (note 18)	5,844	8,637
Other receivables	241	282
Prepayments and accrued income	676	533
Taxation and social security	51	-
	<u>10,201</u>	<u>12,160</u>

Trade receivables are amounts due from customers for services provided during the normal course of business. They are classified as current assets hence their carrying value is a reasonable approximation of their fair value.

11. SHARE-BASED COMPENSATION PLANS

11.1 STOCK OPTIONS

Stock options vest over a three-year period. Options expire ten years from the date of grant and the exercise price is equal to the market value of the ultimate Parent's common stock on the date of grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton closed-form model ("Black-Scholes"). The Company believes that the use of the Black-Scholes model meets the fair value measurement objectives of IFRS 2 and reflects all substantive characteristics of the instruments being valued. The determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the ultimate Parent's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards. Expected volatilities are based on historical volatility of the ultimate Parent's stock and a peer group. The risk-free interest rate is based on U.S. Treasury securities with a maturity value approximating the expected term of the option. The expected term represents the period of time that options granted are expected to be outstanding.

There were no employee stock options granted during 2019 (2018: nil).

OUTSTANDING AND EXERCISABLE OPTIONS	Number of options 2019	Weighted average exercise price 2019	Number of options 2018	Weighted average exercise price 2018
Outstanding at 1 January	-	-	2,076	USD 156.85
Exercised during the year	-	-	(705)	USD 156.85
Forfeited during the year	-	-	(1371)	USD 156.85
Outstanding at 31 December	-	-	-	USD 156.85
Exerciseable at 31 December	-	-	-	-

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

11. SHARE-BASED COMPENSATION PLANS

11.1 STOCK OPTIONS (continued)

No further stock options were issued after 2018. Previous years options were exercised / forfeited due to employee leaving the Company.

Shares of restricted stock vest over a period of three years. Compensation expense is recognised over the vesting period using the share price at grant date, which the Company believe is the best representation of the fair value of the shares. There is no exercise price for restricted stock. The Company also considers the likelihood of meeting the performance criteria (length of service) in determining the amount to expense on a periodic basis.

EMPLOYEE SHARE PLAN	2019	2018
Share price (fair value) range at grant	USD 210.88 – USD 397.62	USD 173.89 – USD 203.72
Number of employees	36	33
Number of shares	14,773	11,285
Vesting period (years)	3	3
NUMBER OF RESTRICTED SHARES		
	2019	2018
Outstanding at 1 January	14,894	16,410
Employees transferred in	-	277
Granted during the year	18,905	10,542
Forfeited during the year	(446)	(2,287)
Vested during the year	(6,507)	(10,048)
Outstanding at 31 December	26,846	14,894

12. DEFERRED INCOME TAX ASSET

The gross movement on the deferred taxation account is shown below:

	2019 £'000	2018 £'000
Non-current asset		
At 1 January	234	313
Movement per Income Tax Note (7a)	802	(79)
At 31 December	1,036	234

The closing balance of 2019 is due after one year (2018: due after one year). This amount primarily relates to net timing differences on share based compensation less capital allowances.

The Company believes that there is reasonable certainty over its future profitability with regard to the ultimate realisation of the deferred tax asset.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

13. TRADE AND OTHER PAYABLES - falling due within one year	2019 £'000	2018 £'000
Trade creditors	669	349
Amounts owed to group undertakings (note 18)	372	76
Taxation and social security	-	78
Accruals and deferred income	7,113	5,761
	8,154	6,264
TRADE AND OTHER PAYABLES - falling due after more than one year		
Provisions	95	953

Trade payables are obligations to pay for goods or services that have been acquired during the normal course of business from suppliers. They are classified as current liabilities hence their carrying value is a reasonable approximation of their fair value.

14. SHARE CAPITAL	2019 £'000	2018 £'000
Authorised:		
6,468,250 (2018: 6,468,250) Ordinary shares of £1 each	6,468	6,468
Allotted and fully paid:		
6,468,250 (2018: 6,468,250) Ordinary shares of £1 each	6,468	6,468

15. FAIR VALUE ESTIMATION

The Company holds financial assets and liabilities at fair value through profit or loss, or through other comprehensive income.

The table below analyses these financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

15. FAIR VALUE ESTIMATION (continued)

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2019.

	Level 2	
	2019 £'000	2018 £'000
Assets		
<i>Financial assets at fair value through other comprehensive income</i>		
Corporate Bonds	10,637	7,307
Total assets	10,637	7,307

There were no transfers between levels 1, 2 and 3 during the year.

16. CAPITAL MANAGEMENT

The Company's objectives when managing its capital is to safeguard its ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders. Historically, the Company has satisfied these needs primarily through internally generated funds and the Company believes that its available cash resources are sufficient to meet its presently anticipated liquidity needs and capital expenditure requirements for at least the next 12 months after the date of approving these financial statements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its shareholder, return capital to its shareholder or issue new shares, all the time being fully aware of their capital adequacy requirements, as laid out by the Financial Conduct Authority.

The Company is subject to FCA capital requirements and considers its capital to comprise of equity shares and retained profits. The minimum regulatory capital requirement at 31 December 2019 was £4,838,000 (2018: £5,449,000). During the year, the Company has complied with the FCA capital requirements.

17. COMMITMENTS UNDER OPERATING LEASES

The Company leases its main premises under a non-cancellable operating lease arrangement. The lease term is until 15th January 2027. At the balance sheet date, future minimum payments under operating leases relating to land and buildings were as follows:

	2019 £'000	2018 £'000
Land and Buildings:		
Within one year	1,128	1,397
Within two to five years	7,085	3,411
After five years	3,788	2,465
	12,001	7,273

The Company entered into a new lease for the 12th floor of 5 Aldermanbury Square from 17th September 2019 until 15th January 2027.

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18. RELATED PARTY TRANSACTIONS

Transactions with other entities in the MarketAxess group during the year.

Related Party	Services provided to/(by) the group	Revenue		Charge	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fellow subsidiaries	Shared Services	-	-	(6,734)	(5,315)
	Data and Post Trade services	(2,791)	(1,389)	-	-
	Cross Regional Services	28,638	26,054	6,903	4,246
		25,847	24,665	169	(1,069)

Year-end balances from services received:

Related Party	Services provided to/(by) the group	Receivable		(Payable)	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Ultimate Parent	Shared Services	81	576	-	-
Parent	Shared Services	-	-	-	(76)
Fellow subsidiaries	Shared and Cross Regional Services	5,763	8,061	(372)	-
		5,844	8,637	(372)	(76)

KEY:

Ultimate Parent: MarketAxess Holdings Inc.

Parent: MarketAxess Limited.

Fellow subsidiaries: Xtrakter Limited, MarketAxess Capital Limited, MarketAxess Singapore Limited Pte, MarketAxess Netherlands B.V, Trax NL B.V, MarketAxess Corporation and MarketAxess Technologies Inc.

The payables are unsecured and bear no interest.

Key management personnel form the International Management Team. The following information is presented only in respect of those members of key management personnel who have rendered services to MarketAxess Europe Limited.

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18. RELATED PARTY TRANSACTIONS

	2019 £'000	2018 £'000
Salaries and short term benefits	2,954	2,427
Share based payments	1,123	622
Post-employment benefits	75	37
Total remuneration and compensation	<u>4,152</u>	<u>3,086</u>
DIRECTORS' EMOLUMENTS	2019 £'000	2018 £'000
Aggregate emoluments	388	491
Share based payments	143	256
Post-employment benefits	7	3
Total remuneration and compensation	<u>538</u>	<u>750</u>

Costs amounting to £40,400 (2018: £82,836) reflected in the aggregate emoluments above relating to one director, are not paid by the Company as this director is remunerated by the ultimate Parent Company. Directors are entitled to shares under a long-term incentive scheme.

HIGHEST PAID DIRECTOR	2019 £'000	2018 £'000
Aggregate emoluments	261	329
Share based payments	131	246
Total remuneration and compensation	<u>392</u>	<u>575</u>

One director had benefits accruing under a defined contribution pension scheme. Pension contributions made on behalf of the highest paid director was £4,913 (2018: £5,688).

19. ULTIMATE PARENT UNDERTAKING

For the year ending 31 December 2019, the Company was a wholly owned subsidiary of MarketAxess Limited, which is incorporated in England and Wales and registered at 5 (10th Floor), Aldermanbury Square, London EC2V 7HR, England. The ultimate parent and the controlling entity is MarketAxess Holdings Inc., incorporated in the United States of America, and is registered at 55 Hudson Yards, 550 W 34th Street, New York, NY 10001.

The smallest and largest group in which the results of the Company are consolidated is that of MarketAxess Holdings Inc., which is also the ultimate parent Company. Copies of the MarketAxess group financial statements can be obtained from the following address: 55 Hudson Yards, 550 W 34th Street, New York, NY 10001.

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20. FINANCIAL RISK MANAGEMENT

(i) Credit risk

Our turnover is relatively evenly spread across our dealers, with no individual dealer providing more than a 10% contribution towards revenue (annualised), therefore this area is deemed to be low-risk. The Head of Finance reviews the debtors balance on a regular basis and controls are in place to ensure timely recovery of any trade debts outstanding.

	2019	2018
Not impaired	£'000	£'000
Neither past due nor impaired	2,640	2,168
Past due but not impaired	749	540
	<u>3,389</u>	<u>2,708</u>

(ii) Currency risk

Foreign cash balances are actively managed on a monthly basis.

The Company's exposure to currency risk is not material therefore no sensitivity analysis has been performed.

(iii) Interest rate risk

Interest rate risk arises on interest-bearing assets (e.g. deposits placed and receivables) and liabilities. The Company has no significant interest rate risk exposures; therefore, no sensitivity analysis has been performed.

(iv) Liquidity risk

We maintain a high level of cash investments, all of which are held with the same credit institution. The board is aware of the risk, and considers the risk that the credit institution could fail to be low. We keep our general banking arrangements under close review, with a view to diversifying risk if assessed as necessary and appropriate.

The contractual maturities of the Company's liabilities are as follows:

	2019	2018
	£'000	£'000
Due in less than 1 year	10,128	8,123
Due between 2 and 5 years	7,180	953
Due after 5 years	3,788	-
	<u>21,096</u>	<u>9,076</u>

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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

21. LEASES – THE COMPANY AS A LESSEE

(i) Carrying amounts

	2019
ROU assets classified within Property, plant and equipment	£'000
Aldermanbury Square (10 th Floor office space)	3,586
Aldermanbury Square (12 th Floor office space)	5,283
WeWorks office space	169
Fenchurch Street office space	178
	<u>9,216</u>

(ii) Carrying amounts

	2019
Lease Liability classified within Non-current liabilities	£'000
Aldermanbury Square (10 th Floor office space)	4,416
Aldermanbury Square (12 th Floor office space)	5,357
WeWorks office space	169
Fenchurch Street office space	143
	<u>10,085</u>

(iii) Depreciation charge during the year

Leases – office space	£'000
Aldermanbury Square (10 th Floor office space)	380
Aldermanbury Square (12 th Floor office space)	55
WeWorks office space	208
Amsterdam Office	23
Fenchurch Street office space	226
	<u>892</u>

(iv) Interest charge during the year

Leases – office space	£'000
Aldermanbury Square (10 th Floor office space)	265
Aldermanbury Square (12 th Floor office space)	19
WeWorks office space	13
Amsterdam Office	4
Fenchurch Street office space	14
	<u>315</u>

The PV discounted rate is calculated based on Libor plus a notching adjustment to estimate Secured A rate.

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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

22. EVENTS AFTER THE REPORTING YEAR

The coronavirus outbreak and its effects represent a non-adjusting event, and any post year end impact has not been reflected in the measurement of the company's assets and liabilities at 31 December 2019. An estimate of the financial effect cannot be made at this time.

The effect of the coronavirus outbreak is having a direct and indirect impact to the global economy. The Company cannot predict the potential future impact of the effects, however it is taking actions to mitigate the impact to the Company.

There were no other material post balance sheet events.