

MarketAxess Europe Limited

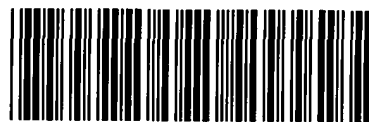


Strategic Report, Directors' Report and Financial
Statements

Registered number: 4017610

For the year ended 31 December 2017

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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

5 Aldermanbury Square

(10th Floor)

London

EC2V 7HR

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 2017

Strategic report for the year ended 31 December 2017

The directors present their strategic report for MarketAxess Europe Limited (the "Company") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is registered as a Multilateral Trading Facility ("MTF") following implementation of the Markets in Financial Instruments Directive with the Financial Conduct Authority ("FCA") in the United Kingdom.

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. Our trading platform provides access to global liquidity in U.S. high-grade corporate bonds, emerging markets and high-yield bonds, European bonds, U.S. agency bonds, credit derivatives 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 trading facility for these securities, which makes it difficult to match buyers and sellers for particular issues. 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 2017

Strategic report for the year ended 31 December 2017 (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™ has been 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 serve as an intermediary between participants, enabling them to meet, agree on a price and then transact with each other. In connection with our Open Trading™, we acted as counterparty to both the buyer and the seller in matching back-to-back trades settled through a third-party clearing broker up to 30 September 2017. 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. Effective 1st October 2017, MarketAxess Capital Limited began acting 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. MiFID II brings new levels of pre-trade and post-trade transparency for non-equities, amongst other items.

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.

51 broker-dealer market-maker clients provide liquidity on the platform and include most of the leading broker-dealers in European fixed-income trading. More than 300 active institutional investor firms use our platform to trade European bonds.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Strategic report for the year ended 31 December 2017 (continued)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Both clients and dealers have embraced Open Trading™ and the RFQ protocol changes, resulting in increased trading volumes and deeper penetration into leading institutional accounts. Turnover increased by 30%, with profit before taxation up 27%, against 2016.

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

The Company and Trax® have collaborated on the development of the "MarketAxess Composite Price". The composite price is updated every 5 seconds and created using an algorithm sourcing unique data sets including streaming indicative prices from contributing dealers on the trading platform as well as Trax® traded prices.

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.

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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Strategic report for the year ended 31 December 2017 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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.

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.

We are registered as an MTF with the FCA. Relevant regulations prohibit repayment of borrowings to the 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.

Regulatory bodies in Europe have developed new rules for the fixed-income markets. MiFID II introduced changes in market structure designed to:

- (i) enhance pre-trade and post-trade transparency for fixed income instruments with the scope of requirements calibrated for liquidity;
- (ii) increase and enhance post-trade reporting obligations with a requirement to submit post-trade data to Approved Reporting Mechanisms;
- (iii) ensure trading of certain derivatives occurs on regulated trading venues; and
- (iv) establish a consolidated tape for trade data.

While we generally believe the net impact of the rules and regulations may be positive for our businesses, unintended consequences of the rules and regulations may adversely affect us in ways yet to be determined.

In June 2016, the U.K. voted in an advisory referendum to leave the European Union (commonly referred to as "Brexit"). Depending on the terms negotiated between E.U. member states and the U.K. following Brexit, the Company may not be able to rely on the existence of a "passporting" regime that allows immediate access to the single E.U. market. Accordingly, we have begun the process of establishing a new regulated subsidiary in the E.U. in order to provide our trading platform services to clients in the E.U. following Brexit.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Strategic report for the year ended 31 December 2017 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Counterparty 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. Effective 1st October 2017, MarketAxess Capital Limited began acting as the matched principal trading counterparty for Open Trading transactions executed on the MTF.

In connection with our anonymous Open Trading TM protocol up to 30th September 2017, we executed certain bond transactions between and among clients and dealers on a matched principal basis by serving as counterparty to both the buyer and the seller in trades which were then settled through a third-party clearing broker. Settlement typically occurs within one to three trading days after the trade date. Cash settlement of the transaction occurs upon receipt or delivery of the underlying instrument that was traded.

We were exposed to credit and performance risks in our role as matched principal trading counterparty to our clients executing Open Trading TM trades on our platform, including the risk that counterparties that owe us money or securities will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Adverse movements in the prices of securities that are the subject of these transactions can increase our risk.

We had policies and procedures in place to identify and manage our credit risk. Due to the recent growth of our Open Trading TM protocol, we implemented additional automated controls to help us manage our credit risk exposure.

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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Strategic report for the year ended 31 December 2017 (continued)

REVIEW OF STRATEGY AND BUSINESS MODEL

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.

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.

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.

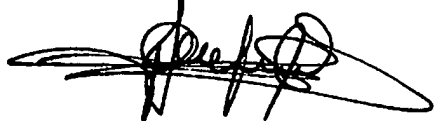
Continue to Strengthen and Expand our Trade-Related Service Offerings

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).

KEY PERFORMANCE INDICATORS ("KPIs")

Given the nature of the business, the directors are of the opinion that analysis using KPIs 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
23rd April 2018

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2017

Directors' report for the year ended 31 December 2017

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The Statement of Comprehensive Income for the year is set out on page 15. The profit for the financial year was £20,702,491 (2016: profit of £16,201,694). In the financial year ending 31 December 2017, the company paid an interim dividend of £17,300,000 (2016: £23,950,000) to the Parent company. No final dividend (2016: £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. 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 and country-by-country reporting are available on our website – www.marketaxess.com.

DIRECTORS

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

Name	Date of Appointment	Date of Resignation
Mr C P D Roupie	19 April 2017	
Mr S Eaton	25 June 2015	15 December 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 2 days (2016: 6) of purchases outstanding as at 31 December 2017.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2017

Directors' report for the year ended 31 December 2017 (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 (2016: £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.

MarketAxxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Directors' report for the year ended 31 December 2017 (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', written over a horizontal line.

Mr C P D Roupie
Director
23rd April 2018

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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 2017; the statement of comprehensive income, the statement of cash flows, and 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 when:

- 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.

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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

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

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 2017 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 10, 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. ²

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.

Other required reporting

Companies Act 2006 exception reporting

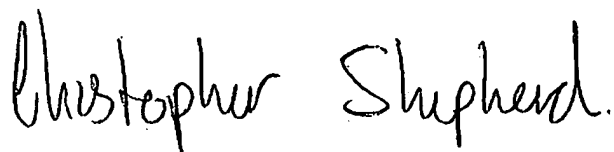
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

A handwritten signature in black ink that reads "Christopher Shepherd". The script is cursive and fluid, with the first name and last name clearly distinguishable.

Christopher Shepherd (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23rd April 2018

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Statement of Comprehensive Income for the year ended 31 December 2017

		2017	2016
	<i>Note</i>	£'000	£'000
Turnover	2	52,538	40,369
Operating Expenses		(26,865)	(20,134)
Operating Profit		25,673	20,235
Finance income	3	61	90
Profit before tax	4	25,734	20,325
Income tax expense	7	(5,032)	(4,123)
Profit for the year and total comprehensive income		20,702	16,202

- (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 19 to 36 form part of these financial statements.

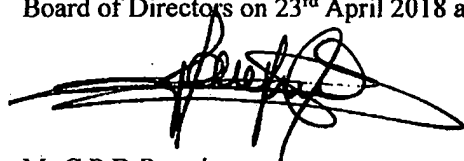
MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Statement of Financial Position as at 31 December 2017

		2017	2016
ASSETS	Note	£'000	£'000
Non-current assets			
Property, plant and equipment	8	2,518	2,508
Available-for-sale financial assets	9,15	3,347	-
Deferred income tax asset	12	313	272
		<u>6,178</u>	<u>2,780</u>
Current assets			
Trade and other receivables	10	8,848	6,960
Available-for-sale financial assets	9,15	3,657	-
Cash and cash equivalents		15,939	21,590
Financial assets held at fair value	15	-	2,459
		<u>28,444</u>	<u>31,009</u>
Total assets		<u>34,622</u>	<u>33,789</u>
Current liabilities			
Trade and other payables	13	(5,667)	(8,522)
Current income tax liabilities		(2,647)	(2,099)
Financial liabilities held at fair value	15	-	(939)
		<u>20,130</u>	<u>19,449</u>
Net current assets			
Non-current liabilities	13	(1,148)	(1,523)
		<u>25,160</u>	<u>20,706</u>
Net assets		<u>25,160</u>	<u>20,706</u>
EQUITY			
Share capital	14	6,468	6,468
Retained earnings		18,692	14,238
		<u>25,160</u>	<u>20,706</u>
Total equity		<u>25,160</u>	<u>20,706</u>

The financial statements on pages 15 to 18, including the notes on pages 19 to 36, were approved by the Board of Directors on 23rd April 2018 and signed on its behalf by:



Mr C P D Roupie
Director
23rd April 2018

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Statement of Cash Flows for the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit before tax	25,734	20,325
Adjustment for:		
Depreciation	454	736
Stock based compensation expense	857	654
Interest received	(61)	(90)
<i>Changes in working capital:</i>		
Decrease/(Increase) in trade and other receivables	571	(839)
(Decrease)/Increase in trade and other payables	(4,169)	5,443
Cash generated from operations	23,386	26,229
Cash flows from operating activities		
Net income tax paid	(4,330)	(3,517)
Net cash generated from operating activities	19,056	22,712
Cash flows from investing activities		
Interest received	61	90
Purchase of available-for-sale financial assets	(7,004)	-
Purchase of property, plant and equipment	(464)	(348)
Net cash used in investing activities	(7,407)	(258)
Cash flows from financing activities		
Ordinary dividends paid	(17,300)	(23,950)
Net cash used in financing activities	(17,300)	(23,950)
Net decrease in cash and cash equivalents	(5,651)	(1,496)
Cash and cash equivalents as at 1 January	21,590	23,086
Cash and cash equivalents as at 31 December	15,939	21,590

The notes on pages 19 to 36 form part of these financial statements.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Statement of Changes in Equity for the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance as at 1 January 2016	6,468	21,062	27,530
Profit for the year and total comprehensive income	-	16,202	16,202
Share based compensation plan	-	654	654
Dividends	-	(23,950)	(23,950)
Tax credit on share based compensation plan	-	270	270
Balance as at 31 December 2016	6,468	14,238	20,706
Profit for the year and total comprehensive income	-	20,702	20,702
Share based compensation plan	-	857	857
Dividends	-	(17,300)	(17,300)
Tax credit on share based compensation plan	-	195	195
Balance as at 31 December 2017	6,468	18,692	25,160

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

The notes on pages 19 to 36 form part of these financial statements.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2017

Notes to the Financial Statements for the year ended 31 December 2017

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.
- Available-for-sale financial assets – 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, consideration was given to the new IFRSs as well as the amendments to IFRS and IFRS-IC interpretations. There were no new or amended standards adopted for the year by the Company.

(iv) New standards and interpretations not yet adopted.

As of the date of authorisation of the financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective and, in some cases, not yet adopted by the European Union:

IFRS 9 'Financial Instruments' replaces the guidance in IAS 39, and became effective on 1 January 2018. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard becomes effective on 1 January 2018, and will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

IFRS 16 'Leases' was issued by the IASB in January 2016, which will replace IAS17 'Leases' and other related interpretations on finance and operating leases. The standard will become effective for annual periods beginning on or after 1 January 2019 subject to EU endorsement. IFRS 16 includes requirements for lessees to recognise a lease liability reflecting future lease payments.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. ACCOUNTING POLICIES (continued)

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial information of the Company in future periods.

(v) Financial assets and liabilities

The Company holds financial instruments in the form of financial assets/liabilities measured at fair value through profit or loss, or other comprehensive income. The Company also holds financial instruments in the form of debtors, cash at bank and in hand and creditors measured at amortised cost. The risks arising from these financial instruments and how these risks are managed are described in Note 20.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Regular purchases and sales of financial assets are recognized on the settlement date.

Financial assets at fair value through other comprehensive income are financial assets available-for-sale and included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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

(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 to settle on a net basis or realise the asset and settle the liability simultaneously.

(vii) 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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. ACCOUNTING POLICIES (continued)

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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.

(xii) Operating leases

The Company defines an operating lease as one which does not substantially transfer the risk and rewards of ownership. Leased properties are not recognised as assets and costs in respect of operating leases are charged on a straight line basis over the lease term.

Rent free, or reduced rent, periods offered as inducements to enter into operating lease agreements are released into the Statement of Comprehensive Income evenly over the lease term.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. ACCOUNTING POLICIES (continued)

(xiii) 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.

(xiv) 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.

(xv) Share capital

Ordinary shares are classified as equity.

(xvi) 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.

(xvii) 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.

(xviii) 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. There is also a corresponding capital contribution which is recognised within equity.

2. TURNOVER

Turnover comprises of amounts invoiced to broker-dealers by the Company of £24,128,688 (2016: £22,057,773), and £28,409,428 (2016: £18,311,492) revenue received from MarketAxess Corporation which factors in the Company's contribution to North American product trading volumes.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

3. FINANCE INCOME	2017	2016
	£'000	£'000
Interest receivable on deposits and other bank accounts	57	90
Interest receivable on debt securities	4	-
	<u>61</u>	<u>90</u>
	<u><u>61</u></u>	<u><u>90</u></u>
4. PROFIT BEFORE TAX	2017	2016
	£'000	£'000
Profit before tax is stated after charging:		
Employee Benefit Expense (Note 5)	15,125	12,720
Depreciation of Property, Plant and Equipment		
- Owned Assets	454	736
Operating Lease Related Charges		
- Land & Buildings	1,247	940
Auditors' Remuneration:		
- Audit Fees	108	108
- Audit related services	7	7
Foreign Exchange (loss) / gain	(135)	115
	<u><u>(135)</u></u>	<u><u>115</u></u>
5. EMPLOYEE BENEFIT EXPENSE	2017	2016
	£'000	£'000
The aggregate payroll costs were as follows:		
Wages and Salaries	11,756	10,337
Social Security Costs	2,164	1,426
Other Pension Costs	348	303
	<u>14,268</u>	<u>12,066</u>
Share-Based Compensation Costs	857	654
	<u>857</u>	<u>654</u>
Staff Costs (Note 4)	<u><u>15,125</u></u>	<u><u>12,720</u></u>

The Company operates a defined contribution pension scheme, where £56,167 (2016: £46,847) was outstanding at the balance sheet date.

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 2017 (continued)

6. EMPLOYEE INFORMATION	2017	2016
The average monthly number of persons (including executive directors) employed by the Company during the year was:	88	73
By activity:		
Administration	21	17
Client Sales	23	21
Client Services	11	11
Technology	18	11
Dealer Relations	6	7
Asia	9	6
	<u>88</u>	<u>73</u>
	<u><u>88</u></u>	<u><u>73</u></u>
7. INCOME TAX EXPENSE	2017	2016
	£'000	£'000
(a) Analysis of tax charge in the year		
Current Tax:		
Current tax on income for the year	5,025	4,175
Adjustments in respect of previous years	(3)	(18)
	<u>5,022</u>	<u>4,157</u>
Total current tax	5,022	4,157
Deferred Tax:		
Original / (reversal) of timing differences	10	(44)
Impact of changes in corporation tax rate	-	10
	<u>10</u>	<u>(34)</u>
Total deferred tax	10	(34)
Income tax expense	<u><u>5,032</u></u>	<u><u>4,123</u></u>
Statement of Changes in Equity		
Deferred tax impact of stock based compensation	(51)	(98)

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

7. INCOME TAX EXPENSE (continued)

(b) The differences are explained below:

	2017 £'000	2016 £'000
Profit before taxation	25,734	20,325
Current tax @ 19.25% (2016: 20%)	4,954	4,065
Effect of:		
Permanent difference	81	66
Adjustments in respect of previous years	(3)	(18)
Impact of changes in corporation tax rate	-	10
Total tax charge for year	5,032	4,123

A change in the UK main corporation tax rate to 20% was substantively enacted on 2 July 2013 and was effective from 1 April 2015. The corporation tax rate was reduced to 19% from April 2017.

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 2017 (continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements £'000	Computer Equipment £'000	Furniture, Fixtures & Fittings £'000	Total £'000
<i>Cost</i>				
At 1 January 2017	2,495	1,731	604	4,830
Additions	-	459	5	464
Disposals	-	(23)	-	(23)
At 31 December 2017	<u>2,495</u>	<u>2,167</u>	<u>609</u>	<u>5,271</u>
<i>Accumulated Depreciation</i>				
At 1 January 2017	(594)	(1,464)	(264)	(2,322)
Charge for the year	(188)	(179)	(87)	(454)
Disposals	-	23	-	23
At 31 December 2017	<u>(782)</u>	<u>(1,620)</u>	<u>(351)</u>	<u>(2,753)</u>
<i>Net book value</i>				
At 31 December 2017	<u>1,713</u>	<u>547</u>	<u>258</u>	<u>2,518</u>
At 31 December 2016	<u>1,901</u>	<u>267</u>	<u>340</u>	<u>2,508</u>

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:	2017	2016
	£'000	£'000
Debt securities with fixed interest ranging from 2.49% to 4.16% and maturity dates between February 2018 and December 2020	7,004	-
	7,004	-

Available-for-sale financial asset maturities are as follows :	2017	2016
	£'000	£'000
Less than one year	3,657	-
Due in 1-5 years	3,347	-
	7,004	-

Available-for-sale financial assets 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 available-for-sale.

MarketAxess Europe Limited

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Notes to the Financial Statements for the year ended 31 December 2017 (continued)

10. TRADE AND OTHER RECEIVABLES	2017 £'000	2016 £'000
Falling due within one year:		
Trade receivables	2,138	3,990
Amounts owed by group undertakings (note 18)	5,787	1,695
Other receivables	260	835
Prepayments and accrued income	663	440
	<u>8,848</u>	<u>6,960</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.

One employee was granted stock options during 2017 (2016: Nil).

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Notes to the Financial Statements for the year ended 31 December 2017 (continued)

11. SHARE-BASED COMPENSATION PLANS (continued)

11.1 STOCK OPTIONS (continued)

OUTSTANDING AND EXERCISABLE OPTIONS

	Number of options 2017	Weighted average exercise price 2017	Number of options 2016	Weighted average exercise price 2016
Outstanding at 1 January	127	USD 62.99	2,882	USD 19.60
Granted	2,076	USD 156.85	-	-
Exercised during the year	(127)	USD 63.07	(2,755)	USD 17.60
Outstanding at 31 December	<u>2,076</u>	<u>USD 156.85</u>	<u>127</u>	<u>USD 62.99</u>
Exercisable at 31 December	<u>-</u>		<u>-</u>	

EXERCISE PRICES

Range of exercise prices	Weighted average exercise price	Number of shares	Contractual weighted average remaining life (years)
USD 65.00 – USD 157.00 2017	USD 156.85	2,076	5.04

11.2 RESTRICTED STOCK

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.

During 2015, the Company established an employee stock purchase plan for non-executive employees. Under the plan, participants are granted the right to purchase shares of common stock in the ultimate Parent company based on the fair market value on the last day of the six-month offering period. On the purchase date, the Company will grant to the participants a number of shares of common stock equal to 20% of the aggregate shares purchased by the participant. These matching shares vest over a one-year period. The Company issued 43 (2016: 88) matching shares in connection with the plan during the year.

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Notes to the Financial Statements for the year ended 31 December 2017 (continued)

11. SHARE-BASED COMPENSATION PLANS (continued)

11.2 RESTRICTED STOCK (continued)

EMPLOYEE SHARE PLAN

	2017	2016
Share price (fair value) range at grant	USD 156.85 – USD 195.23	USD 101.77 – USD 161.74
Number of employees	45	16
Number of shares	5,173	5,020
Vesting period (years)	3	3

NUMBER OF RESTRICTED SHARES

	2017	2016
Outstanding at 1 January	19,613	24,749
Granted during the year	6,221	5,020
Forfeited during the year	(134)	(141)
Vested during the year	(9,290)	(10,015)
Outstanding at 31 December	16,410	19,613

12. DEFERRED INCOME TAX ASSET

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

	2017 £'000	2016 £'000
Non-current asset		
At 1 January	272	140
Movement per Income Tax Note (7a)	41	132
At 31 December	313	272

The closing balance of 2017 is 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

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Notes to the Financial Statements for the year ended 31 December 2017 (continued)

13. TRADE AND OTHER PAYABLES - falling due within one year	2017	2016
	£'000	£'000
Trade creditors	123	333
Amounts owed to group undertakings (note 18)	-	2,279
Taxation and social security	120	312
Accruals and deferred income	5,424	5,598
	<u>5,667</u>	<u>8,522</u>

TRADE AND OTHER PAYABLES - falling due after more than one year

Accruals, provisions and deferred Income	<u>1,148</u>	<u>1,523</u>
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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	2017	2016
	£'000	£'000
Authorised: 6,468,250 (2016: 6,468,250) Ordinary shares of £1 each	<u>6,468</u>	<u>6,468</u>
Allotted and fully paid: 6,468,250 (2016: 6,468,250) Ordinary shares of £1 each	<u>6,468</u>	<u>6,468</u>

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).

MarketAxess Europe Limited

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Notes to the Financial Statements for the year ended 31 December 2017 (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 2017.

	Level 2	
	2017 £'000	2016 £'000
Assets		
Financial assets at fair value through profit or loss		
Corporate Bonds	-	2,459
Available-for-sale financial assets		
Corporate Bonds	7,004	-
Total assets	7,004	2,459

	Level 2	
	2017 £'000	2016 £'000
Liabilities		
Financial liabilities at fair value through profit or loss		
Corporate Bonds	-	939
Total Liabilities	-	939

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.

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 2017 was £5,260,000 (2016: £4,438,000). During the year, the Company has complied with the FCA capital requirements.

MarketAxess Europe Limited

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Notes to the Financial Statements for the year ended 31 December 2017 (continued)

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:

	2017 £'000	2016 £'000
Land and Buildings:		
Within one year	811	811
Within two to five years	2,904	2,904
After five years	3,275	4,086
	<u>6,990</u>	<u>7,801</u>

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	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Fellow subsidiaries	Shared Services	-	-	2,819	2,424
	Data and Post				
	Trade services	(710)	(406)	-	-
	Cross Regional				
	Services	28,409	18,311	(4,065)	(1,276)
		<u>27,699</u>	<u>17,905</u>	<u>(1,246)</u>	<u>1,148</u>

Year-end balances from services received:

Related Party	Services provided (to)/by the group	Receivable		(Payable)	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Ultimate Parent	Shared Services	603	722	-	-
Parent	Shared Services	-	-	-	(101)
Fellow subsidiaries	Shared Services	5,184	971	-	(2,178)
	Data services	-	2	-	-
		<u>5,787</u>	<u>1,695</u>	<u>-</u>	<u>(2,279)</u>

KEY: Ultimate Parent: MarketAxess Holdings Inc.

Parent: MarketAxess Limited.

Fellow subsidiaries: Xtrakter Limited, MarketAxess Capital Limited, MarketAxess Corporation and MarketAxess Technologies Inc. The payables are unsecured and bear no interest.

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Notes to the Financial Statements for the year ended 31 December 2017 (continued)

18. RELATED PARTY TRANSACTIONS (continued)

Key management personnel form the London 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.

	2017 £'000	2016 £'000
Salaries and short term benefits	2,276	2,032
Share based payments	420	403
Post-employment benefits	44	49
Total remuneration and compensation	2,740	2,484

DIRECTORS' EMOLUMENTS

	2017 £'000	2016 £'000
Aggregate emoluments	618	407
Share based payments	143	125
Post-employment benefits	9	9
Total remuneration and compensation	770	541

Costs amounting to £78,188 (2016: £103,870) reflected in the aggregate emoluments above relating to one (2016: 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

	2017 £'000	2016 £'000
Aggregate emoluments	289	233
Share based payments	21	121
Total remuneration and compensation	310	354

One director (2016: one) had benefits accruing under a defined contribution pension scheme. Pension contributions made on behalf of the highest paid director was £10,238 (2016: £10,427).

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19. ULTIMATE PARENT UNDERTAKING

For the year ending 31 December 2017, the Company was a wholly owned subsidiary of MarketAxess Limited, which is incorporated in England and Wales and registered at 10th Floor, 5 Aldermanbury Square, London EC2V 7HR. The ultimate parent and the controlling entity is MarketAxess Holdings Inc., incorporated in the United States of America, and is registered at 299 Park Avenue, 10th Floor, New York, NY 10171.

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: 299 Park Avenue, 10th Floor, New York, NY 10171.

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.

	2017	2016
Not impaired	£'000	£'000
Neither past due nor impaired	1,900	3,170
Past due but not impaired	238	820
	<u>2,138</u>	<u>3,990</u>

We are exposed to credit and performance risks in our role as matched principal trading counterparty to our Open Trading™ clients executing bond trades on our platform, including the risk that counterparties that owe us money or securities will not perform their obligations. In connection with the recent growth of our Open Trading™ protocols, we have implemented additional automated controls to help us manage our credit risk exposure. Effective 1st October 2017, MarketAxess Capital Limited began acting as the matched principal trading counterparty for Open Trading transactions executed on the MTF.

The maximum exposure to credit risk at the reporting date is £28,442,377 (2016: £31,009,800).

(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.

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Notes to the Financial Statements for the year ended 31 December 2017 (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(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:

	2017 £'000	2016 £'000
Due in less than 1 year	8,314	11,560
Due between 2 and 5 years	1,148	1,523
	<u>9,462</u>	<u>13,083</u>

21. EVENTS AFTER THE REPORTING YEAR

There were no material post balance sheet events.