

MarketAxess Europe Limited



Strategic Report, Directors Report and Financial Statements

Registered number: 4017610

For the year ended 31 December 2022



MarketAxess Europe Limited

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MarketAxxess Europe Limited

DIRECTORS AND OFFICERS

DIRECTORS

Mr Christophe P D Roupie

Mr Rajeev Paranandi

NON-EXECUTIVE DIRECTORS

Mr Richard M McVey

Mr James N B Rucker

Mr William F Cruger

COMPANY SECRETARY

Ms Miranda 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 2022

Strategic report for the year ended 31 December 2022

The Directors present their strategic report for MarketAxess Europe Limited (the “Company”) for the year ended 31 December 2022. The Company is domiciled and incorporated in England and Wales.

PRINCIPAL ACTIVITIES

The Company is a private company limited by shares which is wholly owned by MarketAxess Limited (the “Parent”), which is also incorporated in England and Wales and registered at 10th floor, 5 Aldermanbury Square, London EC2V 7HR. The Parent in turn, is wholly owned by MarketAxess Holdings Inc, (“MarketAxess”) which is the group parent undertaking, and a publicly-listed entity (NASDAQ: MKTX) located in the United States of America.

The Company operates a leading electronic trading system 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”) 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 system 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 still use e-mail and other electronic means of communication for trading corporate bonds.

The core business of the Company is based on operating an electronic trading platform which offers two main umbrella trading protocols (both of which incorporate sub protocols) : a disclosed Request-for-Quote (“RFQ”) protocol, and an anonymous all-to-all protocol namely Open Trading™, and in 2020 the Company launched a periodic auction protocol.

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 system facilitates trades between investment firms providing liquidity (“Dealers”) and institutional investors seeking liquidity (“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 the liquidity provider. The price discovery process includes the ability to view indicative prices from

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
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Strategic report for the year ended 31 December 2022 (continued)

PRINCIPAL ACTIVITIES (continued)

the Dealers' inventory available on our system, access to real-time pricing information, analytical tools and the ability to request executable bids and offers simultaneously from all of our Dealers during the trade process.

We are not a party to the RFQ trades that occur on our system between clients and dealers; rather we enable them to meet, agree on a price and then transact with each other. Once a trade is completed on our system, the Dealer and Client may settle the trade directly through their custodians. We provide automated post-trade messaging, which facilitates the communication of trade acknowledgment and allocation information between the Dealer and the Client.

Open Trading™ – All to All

Open Trading™ was developed by the Company to facilitate trading between any participants on the system, 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.

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 system that are billed to our Dealers 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.

The Company is subject to FCA regulatory capital requirements and considers its capital to comprise of equity shares and retained profits. The minimum regulatory capital requirement at 31 December 2022 was £5,870,000.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The credit markets in the United Kingdom are still experiencing market structure changes due in part to geo-political factors and new regulations.

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

155 Dealers provide liquidity on the system and include most of the leading broker-dealers in fixed-income trading. More than 350 active institutional investor firms use our system to trade bonds. Both Clients and Dealers have embraced protocol changes, resulting in increased trading volumes and deeper penetration into leading institutional accounts.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Strategic report for the year ended 31 December 2022 (continued)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

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

Future developments are outlined in the published financial statements of MarketAxess (available on the Company website: www.marketaxess.com).

PRINCIPAL RISKS AND UNCERTAINTIES

Economic, Political and Market Factors

The global fixed-income securities industry is, by its nature, risky and volatile and is directly affected by many national and international factors that are beyond our control, including the COVID-19 pandemic and Russia's invasion of Ukraine (the "Russia-Ukraine War"), each of which created significant volatility in the markets we serve and increased uncertainty and economic disruption. Any one of these factors may cause a substantial decline in the U.S. and/or global financial services markets, resulting in reduced trading volume. These events could have a material adverse effect on our business, financial condition and results of operations. These factors include:

- economic and political conditions in Europe, the United States and elsewhere;
- adverse market conditions, including unforeseen market closures or other disruptions in trading;
- broad trends in business and finance;
- consolidation or contraction in the number of market participants;
- the current or anticipated impact of climate change, extreme weather events or natural disasters;
- the emergence of widespread health emergencies or pandemics, including the Pandemic.

There have been significant declines in trading volumes in the financial markets generally in the past and there may be similar declines in trading volumes generally or across our platform in particular in the future. Any one or more of the above factors may contribute to reduced trading volumes. Our revenues and profitability are likely to decline significantly during periods of stagnant economic conditions, low volatility or low trading volume in the global financial markets.

Revenue was up 17% year-on-year in line with volume.

The Russia / Ukraine War has had no material financial impact on the Company.

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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Strategic report for the year ended 31 December 2022 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Competitors, including companies in which some of our participants have invested, have developed or acquired electronic trading systems or have announced their intention to explore the development of electronic systems that may compete with us.

We primarily compete on the basis of our Client network, the liquidity provided by our Dealer, and, to a growing extent, institutional investor clients, the total transaction costs associated with our services, the breadth of products, protocols and services offered, as well as the quality, reliability, security and ease of use of our platforms. We believe that our ability to grow volumes and revenues will largely depend on our performance with respect to these factors.

Rapid Technological Changes

We must continue to enhance and improve our electronic trading platforms. 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 sell-side and buy-side institutional clients and respond to technological advances and emerging industry and regulatory standards and practices on a cost-effective and timely basis. We plan to continue to focus on technology infrastructure initiatives and continually improve our platforms to further enhance our leading market position.

Regulatory Environment

Our industry has been and is subject to continuous regulatory change 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 which continue to impact the Company include regulatory divergence and market fragmentation resulting from Brexit, the implementation of UK IFPR, the UK Wholesale Markets Review, the changes expected to be implemented pursuant to the UK Financial Services and Markets Bill and associated Future Regulatory Framework.

As a result of Brexit, a fellow subsidiary of the Parent, MarketAxess NL B.V., obtained a licence in 2019 to operate a MTF in the Netherlands from the Dutch Autoriteit Financiële Markten. We now provide regulated services to our clients within the E.U. in reliance on the cross-border services passport held by our Dutch affiliate. Brexit has led to an ongoing divergence between the U.K. and E.U. financial regulations, which has made it more difficult and costly to comply with the extensive government regulation to which we are subject. The cost and complexity of operating across increasingly divergent regulatory regimes has increased and is likely to continue to increase in the future.

Compliance with regulations may require us to dedicate additional financial and operational resources, which may adversely affect our profitability. However, we believe new regulations may also increase demand for our platforms and we believe we are well positioned to benefit from those regulatory changes that cause market participants to seek electronic trading platforms that meet the various regulatory requirements and help them comply with their regulatory obligations.

MarketAxess Europe Limited

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Strategic report for the year ended 31 December 2022 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit Risk

MarketAxess Capital Limited, a fellow subsidiary, was established as a result of Article 19(5) of UK 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 outlined in note 17.

Trends in Our Business

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

- the number of participants on our system and their willingness to use our system instead of competitors' platforms or other execution methods;
- the frequency and competitiveness of the price responses by participants on our system;
- the number of markets that are available for our clients to trade on our system;
- the overall level of activity in these markets;
- the duration of the bonds trading on our system; and
- the different fee plans under which we earn commissions and distribution fees.

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 system, 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 regional electronic trading system 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:

Increase Penetration in Credit Markets

We believe that we have a large opportunity remaining to capture additional market share in the credit product markets in which we have already established a leadership position. The traditional methods of bilateral trading, including the telephone, e-mail or instant messaging, continue to be one of our principal competitors in the credit markets. We continue to focus on capturing additional market share across our core credit markets.

Continue Expansion into New Product Areas

By leveraging our trading functionality and capitalizing on our experience of building market share in markets like Eurobonds, U.S. high-grade and U.S. high-yield bonds, we plan to increase our product footprint in newer product areas, including emerging market local currency bonds, European government bonds and Chinese government bonds. Each of these markets has unique trading protocols, market

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for the year ended 31 December 2022

Strategic report for the year ended 31 December 2022 (continued)

REVIEW OF STRATEGY AND BUSINESS MODEL (continued)

SECTION 172 STATEMENT (continued)

structures and settlement solutions that require a lengthy ramp-up period, but which will provide diverse revenue sources if we can obtain significant market share.

Expand Trading Protocols and Leverage the Open Trading Network

We believe that we are the only fixed-income electronic trading platform that embraces all-to-all trading in each of our product areas. We believe that the combination of Open Trading and our vast client network provides the basis for us to enhance liquidity and improve market resiliency in global fixed income markets.

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 of Directors (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 of the Company (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, shareholders, 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.

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 EMEA & APAC, and Head of HR EMEA & APAC 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-

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
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Strategic report for the year ended 31 December 2022 (continued)

REVIEW OF STRATEGY AND BUSINESS MODEL (continued)

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 conducts 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 and approving the Company's strategy, annual Budget, and dividend proposed by management. They are also responsible for the oversight and governance of the risks that the Company faces which is conducted through a variety of risk papers and key risk indicators ("KRIs").

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.

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

Streamlined Energy and Carbon Reporting (SECR)

The following disclosures are presented pursuant to the Companies (Directors Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the "2018 Regulations"), implementing the UK Directors Plc government's policy on Streamlined Energy and Carbon Reporting (SECR). The SECR disclosures are not audited.

We have utilised the energy consumption information provided by the landlord. In some cases, we have used monthly averages to arrive at full year numbers for period for which data was unavailable. To convert our energy consumption to carbon footprint, we have used the 2022 country specific electricity grid greenhouse emissions factors' from carbonfootprint.com to translate /kWh into kgCO₂e.

	2022 (Tonnes CO ₂ e)	2021 (Tonnes CO ₂ e)
Emissions from purchase of electricity	92	124
Intensity ratio - Tons of CO ₂ e/square meters	0.032	0.042

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

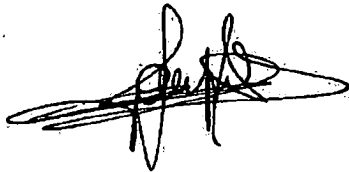
Strategic report for the year ended 31 December 2022 (continued)

The Company is focused on environmental, social and governance (ESG). The fit-out of the 12th floor at Aldermanbury House, London, completed in April 2020 received an SKA Gold rating demonstrating ample natural light, reduced energy consumption, responsible construction practices and materials including FSC-certified wood, recycled finishes, and zero-VOC paints.

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. Any KPI’s are discussed on Page 11 within the Results and Dividends section of the Directors report.

On behalf of the board



Mr C P D Roupie
Director
19th April 2023

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Directors' report for the year ended 31 December 2022

The Directors submit their report and the audited financial statements of the Company for the year ended 31 December 2022.

RESULTS AND DIVIDENDS

The Statement of Comprehensive Income for the year is set out on page 18. The profit for the financial year was £18,727,188 (2021: profit of £23,249,683). In the financial year ending 31 December 2022, the Company paid interim dividends of £20,000,000 (2021: £30,700,000) to the Parent Company. No final dividend (2021: £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.

DIRECTORS

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

Name	Date of Appointment
Mr Christophe P D Roupie	19 April 2017
Mr Rajeev Paranandi	01 May 2021

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 Richard M McVey	9 May 2001
Mr James N B Rucker	5 November 2015
Mr William 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 6 days (2021: 13) of purchases outstanding as at 31 December 2022.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
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Directors' report for the year ended 31 December 2022 (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

A political donation of £500 (2021: £nil) was made during the year.

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 UK-adopted international accounting standards. Under company law, 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 UK-adopted international accounting standards 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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 2022

Directors' report for the year ended 31 December 2022 (continued)

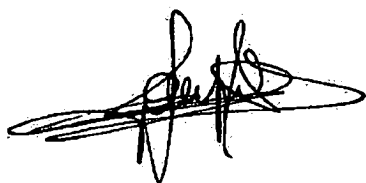
AUTHORITY FOR ISSUE OF FINANCIAL STATEMENTS

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.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'C P D Roupie', with a large, sweeping flourish extending to the left.

Mr C P D Roupie
Director
19th April 2023

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 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Statement of Financial Position as at 31 December 2022; Statement of Comprehensive Income, Statement of Cash Flows and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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, 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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Financial Conduct Authority and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of fraudulent journal entries. Audit procedures performed by the engagement team included:

- Enquiries of management in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and, where relevant, testing journal entries with a higher fraud risk using certain risk criteria

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 2022

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

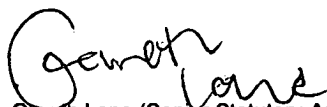
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



Gareth Lane (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19th April 2023

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Statement of Comprehensive Income for the year ended 31 December 2022

	<i>Note</i>	2022 £'000	2021 £'000
Turnover	2	51,732	44,304
Operating expenses		(28,305)	(15,224)
Operating profit		23,427	29,080
Interest income	3	73	22
Interest expense	3	(368)	(428)
Profit before tax	4	23,132	28,674
Income tax expense	7	(4,405)	(5,424)
Profit for the year		18,727	23,250
Other comprehensive expense			
Changes in fair value of debt instruments at fair value through other comprehensive expense		-	(51)
Total other comprehensive expense for the year		-	(51)
Total comprehensive income for the year		18,727	23,199

- (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 22 to 37 form part of these financial statements.

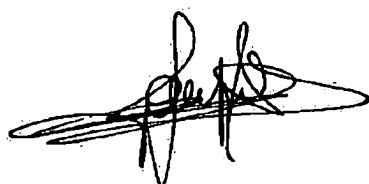
MarketAxxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Statement of Financial Position as at 31 December 2022

		2022	2021
		£'000	£'000
ASSETS	<i>Note</i>		
Non-current assets			
Intangible assets	8	3,087	3,209
Property, plant and equipment	8	5,118	6,426
Right of Use assets	18	5,659	6,823
		<u>13,864</u>	<u>16,458</u>
Current assets			
Trade and other receivables	9	18,849	14,399
Current income tax asset		3,158	5,395
Cash and cash equivalents		27,521	26,557
		<u>49,528</u>	<u>46,351</u>
Total assets		<u>63,392</u>	<u>62,809</u>
Current liabilities			
Trade and other payables	12	(10,443)	(9,648)
Lease liabilities	18	(1,605)	(1,520)
Net current assets		<u>37,480</u>	<u>35,183</u>
Non-current liabilities			
Lease liabilities	18	(5,375)	(6,950)
Deferred income tax liabilities	11	(414)	(468)
Net assets		<u>45,555</u>	<u>44,223</u>
EQUITY			
Share capital	13	6,468	6,468
Retained earnings		39,087	37,755
Total equity		<u>45,555</u>	<u>44,223</u>

The financial statements on pages 18 to 21, including the notes on pages 22 to 37, were approved by the Board of Directors on 19th April 2023 and signed on its behalf by:



Mr C P D Roupie
Director
19th April 2023

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Statement of Cash Flows for the year ended 31 December 2022

		2022 £'000	2021 £'000
Cash flows from operating activities	Note		
Profit before tax		23,132	28,674
Adjustment for:			
Depreciation	8,18	3,077	2,747
Amortisation	8	1,786	1,278
Stock based compensation expense	5	2,883	2,616
Interest payable on operating leases	3	368	427
Finance income	3	(73)	(22)
<i>Changes in working capital:</i>			
(Increase)/Decrease in trade and other receivables	9	(4,450)	1,216
Increase/(Decrease) in trade and other payables	12	560	(2,251)
Cash generated from operations		27,283	34,685
Net income tax paid		(2,500)	(10,981)
Net cash generated from operating activities		24,783	23,704
Cash flows from investing activities			
Finance income	3	73	22
Sale of Financial assets at fair value through other comprehensive income		-	5,465
Purchase of intangible assets	8	(1,429)	(1,742)
Purchase of property, plant and equipment	8	(570)	(2,388)
Net cash (used in)/generated from investing activities		(1,926)	1,357
Cash flows from financing activities			
Ordinary dividends paid		(20,000)	(30,700)
Repayment of Principal and Interest lease liabilities		(1,893)	(1,535)
Net cash used in financing activities		(21,893)	(32,235)
Net increase/ (decrease) in cash and cash equivalents		964	(7,174)
Cash and cash equivalents as at 1 January		26,557	33,731
Cash and cash equivalents as at 31 December		27,521	26,557
Non-Cash Investing Activities		2022	2021
		£'000	£'000
Acquisition of right-of-use assets		34	36
		34	36

The notes on pages 22 to 37 form part of these financial statements.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Statement of Changes in Equity for the year ended 31 December 2022

	Share capital £'000	Retained Earnings £'000	Other reserves £'000	Total Equity £'000
Balance as at 1 January 2021	6,468	42,759	50	49,277
Profit for the year	-	23,250	-	23,250
Changes in fair value of debt instruments at fair value through other comprehensive expense	-	-	(50)	(50)
Share based compensation plan	-	2,616	-	2,616
Dividends	-	(30,700)	-	(30,700)
Tax expense on share-based compensation plan	-	(170)	-	(170)
Balance as at 31 December 2021	6,468	37,755	-	44,223
Profit for the year	-	18,727	-	18,727
Share based compensation plan	-	2,883	-	2,883
Dividends	-	(20,000)	-	(20,000)
Tax expense on share-based compensation plan	-	(278)	-	(278)
Balance as at 31 December 2022	6,468	39,087	-	45,555

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

The notes on pages 22 to 37 form part of these financial statements.

MarketAxxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022

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 UK-adopted international accounting standards (IAS) and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. On 31 December 2020, International Financial Reporting Standards (IFRSs) as adopted by the European Union at that date were brought into UK law and became UK-adopted IAS, with future changes being subject to endorsement by the UK Endorsement Board.

(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 UK adopted IAS 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 was an amendment to IAS 37 and IAS 16 but this has resulted in no material impact on the company's accounting policies. No new or amended standards and interpretations were adopted early by the Company.

(iv) 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 model 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

MarketAxxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

1. ACCOUNTING POLICIES (continued)

(iv) Financial assets and liabilities (continued)

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

The company assesses, on a forward-looking basis, the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. ECL for trade and other receivables are immaterial.

(v) 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.

(vi) Intangible assets

The Company capitalises certain costs that are directly attributable to the development of internal use of the 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.

(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:

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

1. ACCOUNTING POLICIES (continued)

(vii) Property, plant and equipment (continued)

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.

(viii) Revenue recognition

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

(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 amortised cost.

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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

1. ACCOUNTING POLICIES (continued)

(xii) Operating leases

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.

(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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

1. ACCOUNTING POLICIES (continued)

(xvii) Critical accounting estimates and judgements

There were no critical accounting estimates 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 10.

(xviii) Share based compensation

The Company's employees are eligible to 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.

(ixx) Segment reporting

The Board of Directors manages and accesses the financial performance of the company as one segment. Thus, no segmental reporting is prepared.

(xx) Interest income

Interest income is calculated and recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

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.

3. FINANCE INCOME / EXPENSE

	2022 £'000	2021 £'000
Interest receivable on deposits and other bank accounts	73	6
Interest received on debt securities	-	16
Interest payable on operating leases (Note 18)	(368)	(428)
	<u>(295)</u>	<u>(406)</u>

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

4. PROFIT BEFORE TAX	2022	2021
	£'000	£'000
Profit before tax is stated after charging:		
Employee Benefit Expense (Note 5)	26,316	24,636
Depreciation of Property, Plant and Equipment and amortisation of Intangible assets		
- Intangible Assets	1,786	1,278
- Property, plant and equipment	1,878	1,619
Operating Lease Related Charges		
- Lease Depreciation (Note 18)	1,199	1,128
- Other	512	625
Auditors' Remuneration:		
- Audit Fees	118	108
- Audit related services	4	4
Foreign Exchange loss	297	403
5. EMPLOYEE BENEFIT EXPENSE	2022	2021
	£'000	£'000
The aggregate payroll costs were as follows:		
Wages and Salaries	19,174	18,313
Social Security Costs	3,260	2,921
Other Pension Costs	999	786
	23,433	22,020
Share-Based Compensation Costs	2,883	2,616
Employee Benefit Expense (Note 4)	26,316	24,636

The Company operates a defined contribution pension scheme, where £148,151 (2021: £129,124) was outstanding at the balance sheet date. Employee costs recharge to fellow subsidiaries during the year was £8,890,423 (2021: £7,569,979).

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

6. EMPLOYEE INFORMATION

	2022 Number	2021 Number
The average monthly number of persons (including Executive Directors) employed by the Company during the year was:	142	126
By activity:		
Administration	36	36
Client Sales	29	29
Client Services	31	28
Technology	46	33
	<u>142</u>	<u>126</u>

7. INCOME TAX EXPENSE

	2022 £'000	2021 £'000
(a) Analysis of tax charge in the year		
Current Tax:		
Current tax on income for the year	4,746	4,954
Adjustments in respect of previous years	(9)	181
Total current tax	<u>4,737</u>	<u>5,135</u>
Deferred Tax:		
(Reversal)/ Origination of timing differences	(443)	289
Adjustments in respect of previous years	111	-
Total deferred tax	<u>(332)</u>	<u>289</u>
Income tax expense	<u>4,405</u>	<u>5,424</u>
Statement of Changes in Equity		
Deferred tax impact of stock-based compensation	278	776

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

7. INCOME TAX EXPENSE (continued)

(b) The differences are explained below:

	2022 £'000	2021 £'000
Profit before taxation	23,132	28,674
Current tax @ 19%	4,395	5,448
Effect of:		
Permanent differences	7	(61)
Adjustments in respect of previous years	3	37
Total tax charge for year	4,405	5,424

8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Intangible Assets £'000
Cost	
At 1 January 2022	4,972
Additions	1,664
At 31 December 2022	6,636
Accumulated Amortisation	
At 1 January 2022	(1,763)
Charge for the year	(1,786)
At 31 December 2022	(3,549)
Net book value	
At 31 December 2022	3,087
At 31 December 2021	3,209

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (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 2022	5,489	5,248	2,092	12,829
Additions	14	555	1	570
At 31 December 2022	5,503	5,803	2,093	13,399
<i>Accumulated Depreciation</i>				
At 1 January 2022	(2,061)	(3,554)	(788)	(6,403)
Charge for the year	(675)	(991)	(212)	(1,878)
At 31 December 2022	(2,736)	(4,545)	(1,000)	(8,281)
<i>Net book value</i>				
At 31 December 2022	2,767	1,258	1,093	5,118
At 31 December 2021	3,428	1,694	1,304	6,426

9. TRADE AND OTHER RECEIVABLES

	2022 £'000	2021 £'000
Falling due within one year:		
Trade receivables	6,019	3,172
Amounts owed by group undertakings (note 15)	11,315	9,332
Other receivables	279	639
Prepayments	1,236	1,256
	18,849	14,399

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.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

10. SHARE-BASED COMPENSATION PLANS

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. 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	2022 Number	2021 Number
Share price (fair value) range at grant	USD 257.77 - USD 381.43	USD 475.92 - USD 555.94
Number of employees	58	55
Vesting period (years)	3	3

NUMBER OF RESTRICTED SHARES

	2022 Number	2022 Avg. Grant Date Fair Value	2021 Number	2021 Avg. Grant Date Fair Value
Outstanding at 1 January	18,197	400.10	24,918	251.98
Granted during the year	10,013	355.01	9,156	521.29
Forfeitures	(1,697)	394.59	(80)	281.47
Vested during the year	(9,654)	320.39	(15,797)	237.29
Outstanding at 31 December	16,859	419.52	18,197	400.10

11. DEFERRED INCOME TAX ASSET / (LIABILITY)

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

	2022 £'000	2021 £'000
Net (liability)/asset		
At 1 January	(468)	597
Movement per income tax expense (note 7)	54	(1,065)
At 31 December	(414)	(468)

The closing balance of 2022 is due after one year (2021: 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
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

12. TRADE AND OTHER PAYABLES	2022	2021
	£'000	£'000
Trade creditors	493	560
Amounts owed to group undertakings (note 15)	35	27
Taxation and social security	639	99
Accruals and deferred income	9,276	8,962
	10,443	9,648

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.

13. SHARE CAPITAL	2022	2021
	£'000	£'000
Allotted and fully paid:		
6,468,250 (2021: 6,468,250) Ordinary shares of £1 each	6,468	6,468

14. 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. During the year, the Company has complied with the FCA capital requirements.

MarketAxess Europe Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

15. RELATED PARTY TRANSACTIONS

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

Related Party	Services provided (by)/to the group	Revenue		Charge/(Credit)	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Fellow subsidiaries	Shared Services	-	-	(14,537)	(12,570)
	Data and Post Trade services	-	-	4,738	4,602
	Cross Regional Services	19,880	17,654	(1,272)	(13,698)
		19,880	17,654	(11,071)	(21,666)

Dividends paid during the year to the parent company £20,000,000 (2021: £30,700,000) is captured in the Statement of changes in equity.

Year-end balances from services received:

Related Party	Services provided (by)/to the group	Receivable		(Payable)	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Ultimate Parent	Shared Services	-	-	(12)	(8)
Parent	Shared Services	4	-	-	-
Fellow subsidiaries	Shared and Cross Regional Services	11,311	9,332	(23)	(19)
		11,315	9,332	(35)	(27)

KEY:

Ultimate Parent: MarketAxess Holdings Inc.

Parent: MarketAxess Limited.

Fellow subsidiaries: MarketAxess Post-Trade Limited, MarketAxess Capital Limited, MarketAxess Singapore Limited Pte, MarketAxess Netherlands B.V, MarketAxess Post-Trade B.V, 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 2022 (continued)

15. RELATED PARTY TRANSACTIONS (continued)

The following information is presented only in respect of those members of key management personnel who have rendered services to MarketAxess Europe Limited.

	2022 £'000	2021 £'000
Salaries and short-term benefits	1,271	1,148
Share based payments	1,286	826
Post-employment benefits	8	6
Total remuneration and compensation	2,565	1,980

DIRECTORS EMOLUMENTS	2022 £'000	2021 £'000
Aggregate emoluments	295	306
Share based payments	643	551
Post-employment benefits	1	5
Total remuneration and compensation	939	862

Costs amounting to £44,686 (2021: £25,704) 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	2022 £'000	2021 £'000
Aggregate emoluments	120	128
Share based payments	397	362
Total remuneration and compensation	517	490

Two directors have benefits accruing under a defined contribution pension scheme. Pension contributions made on behalf of the highest paid director was £2,800 (2021: £11,100).

16. ULTIMATE PARENT UNDERTAKING

For the year ending 31 December 2022, 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, 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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17. 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.

	2022	2021
Trade Receivables	£'000	£'000
Current	4,394	2,841
Past due	1,625	331
	<u>6,019</u>	<u>3,172</u>

The maximum exposure to credit risk at the reporting date is £22,007,000 (2021: £19,794,000)

(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, a significant part 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 (discounted) are as follows:

	2022	2021
	£'000	£'000
Due in less than 1 year	12,048	11,170
Due between 1 and 5 years	5,375	6,950
	<u>17,423</u>	<u>18,120</u>

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18. LEASES – THE COMPANY AS A LESSEE

(i) Carrying amounts

	2022	2021
	£'000	£'000
ROU assets		
Premises	5,605	6,790
Vehicles	54	33
	<u>5,659</u>	<u>6,823</u>

(ii) Carrying amounts

	2022	2021
	£'000	£'000
Lease liabilities		
Premises	6,926	8,437
Vehicles	54	33
	<u>6,980</u>	<u>8,470</u>

	2022	2021
	£'000	£'000
Of which:		
Current liabilities	1,605	1,520
Non-Current liabilities	5,375	6,950
	<u>6,980</u>	<u>8,470</u>

(iii) Depreciation charge during the year

	2022	2021
	£'000	£'000
Leases – office space		
Premises	1,186	1,125
Vehicles	13	3
	<u>1,199</u>	<u>1,128</u>

(iv) Interest charge during the year

	2022	2021
	£'000	£'000
Leases – office space		
Premises	366	428
Vehicles	2	-
	<u>368</u>	<u>428</u>

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

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19. EVENTS AFTER THE REPORTING YEAR

The Company paid an interim dividend of £10,000,000 on the 14th February 2023 to the Parent Company.

There were no other material post balance sheet events.