

MarketAxess Corporation

(A wholly-owned subsidiary of MarketAxess Holdings Inc.)

Financial Statements and Supplementary Schedules

December 31, 2023

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL REPORTS
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PART III

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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/23 AND ENDING 12/31/23
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: MarketAxess Corporation

TYPE OF REGISTRANT (check all applicable boxes):

- ☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

55 Hudson Yards, 15th Floor

(No. and Street)

New York

NY

10001

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Michael Cianiulli

(212) 813-6270

mcianciulli@marketaxess.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

PricewaterhouseCoopers LLP

(Name – if individual, state last, first, and middle name)

300 Madison Avenue

New York

NY

10017

(Address)

(City)

(State)

(Zip Code)

10/20/2003

238

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

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* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Christopher R. Concannon, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of MarketAxess Corporation, as of 12/31, 2023, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

CHRISTOPHER STEINFELD
NOTARY PUBLIC, STATE OF NEW YORK
No. 02ST6363848
Qualified in New York County
My commission expires August 28, 2025

Signature: _____

Title: _____

Chief Executive Officer and Chief Financial Officer

Notary Public

This filing** contains (check all applicable boxes):

- ☒ (a) Statement of financial condition.
- ☐ (b) Notes to consolidated statement of financial condition.
- ☒ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☒ (d) Statement of cash flows.
- ☒ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☒ (g) Notes to consolidated financial statements.
- ☒ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☒ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☒ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☒ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☒ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: _____

****To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.**

MarketAxess Corporation

(A wholly-owned subsidiary of MarketAxess Holdings Inc.)

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of MarketAxess Corporation

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of MarketAxess Corporation (the "Company") as of December 31, 2023, and the related statements of operations, changes in shareholder's equity and cash flows for the year then ended, including the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Supplemental Information

The accompanying Supplementary Schedule I – Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission, Supplementary Schedule II – Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission and Supplementary Schedule III – Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission as of December 31, 2023 (collectively, the "supplemental information") has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.



PricewaterhouseCoopers LLP

New York, New York
February 29, 2024

We have served as the Company's auditor since 2000.

MarketAxess Corporation
Statement of Financial Condition
December 31, 2023

Assets

Cash and cash equivalents	\$	141,543,717
Cash segregated under federal regulations		45,121,881
Investments, at fair value		79,516,293
Accounts receivable, including accounts receivable from affiliates of \$1,453,446, net of allowance of \$569,692		70,108,170
Receivables from broker-dealers, clearing organizations and customers, including receivables from affiliates of \$13,024,792		604,083,639
Goodwill		95,278,455
Intangible assets, net of accumulated amortization		56,349,666
Furniture, equipment and capitalized software, net of accumulated depreciation and amortization		67,896,474
Prepaid expenses and other assets		20,251,007
Total assets		1,180,149,302

Liabilities and Shareholder's Equity

Liabilities

Accrued employee compensation		32,507,288
Payables to broker-dealers, clearing organizations and customers		496,104,230
Accounts payable and other liabilities, including payable to affiliates of \$18,610,693		35,387,002
Deferred tax liabilities, net		618,836
Total liabilities		564,617,356

Commitments and Contingencies (Note 11)

Shareholder's Equity

Common stock, \$0.01 par value, 1,000 shares authorized, issued and outstanding		10
Additional paid-in-capital		261,953,631
Retained earnings		353,578,305
Total shareholder's equity		615,531,946
Total liabilities and shareholder's equity	\$	1,180,149,302

The accompanying notes are an integral part of these financial statements.

MarketAxess Corporation
Statement of Operations
Year Ended December 31, 2023

Revenues

Commissions	\$	566,959,926
Information services		19,470,694
Investment gains/(losses)		1,205,022
Other revenue, including \$7,823,953 from affiliates		24,387,488
Total revenues		612,023,130

Expenses

Employee compensation and benefits		125,978,365
Service agreement fees to affiliates		76,446,926
Technology and communications		59,125,817
Depreciation and amortization		51,903,976
Marketing and advertising		8,373,606
General and administrative		12,522,069
Professional and consulting fees		15,822,798
Clearing costs		8,678,229
Occupancy		8,712,188
Total expenses		367,563,974

Income before provision for income taxes **244,459,156**

Provision for income taxes		54,117,384
Net income	\$	190,341,772

The accompanying notes are an integral part of these financial statements.

MarketAxess Corporation
Statement of Changes in Shareholder's Equity
Year Ended December 31, 2023

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-in	Earnings	Shareholder's
			Capital		Equity
Balance, January 1, 2023	1,000	\$ 10	\$ 261,953,631	\$ 368,236,533	\$ 630,190,174
Dividends paid to MarketAxess Holdings Inc.	—	—	—	(205,000,000)	(205,000,000)
Net income	—	—	—	190,341,772	190,341,772
Balance, December 31, 2023	1,000	\$ 10	\$ 261,953,631	\$ 353,578,305	\$ 615,531,946

The accompanying notes are an integral part of these financial statements.

MarketAxess Corporation
Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities

Net income	\$ 190,341,772
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Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization	51,903,976
Stock-based compensation expense	14,344,060
Deferred taxes	(3,468,003)
Provision for doubtful accounts	535,756
Other	160,312
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(7,157,743)
(Increase) in receivables from broker-dealers, clearing organizations and customers	(229,336,769)
(Increase) in prepaid expenses and other assets	(1,937,089)
(Increase) in trading investments	(153,321)
(Increase) in mutual funds held in rabbi trust	(914,923)
(Decrease) in accrued employee compensation	(66,355)
Increase in payables to broker-dealers, clearing organizations and customers	272,657,975
(Decrease) in accounts payable and other liabilities	(43,988,422)

Net cash provided by operating activities	<u>242,921,226</u>
--------------------------------------------------	---------------------------

Cash flows from investing activities

Purchases of equipment	(8,686,145)
Capitalization of software development costs	(35,928,493)

Net cash (used in) investing activities	<u>(44,614,638)</u>
------------------------------------------------	----------------------------

Cash flows from financing activities

Dividends paid to MarketAxess Holdings Inc.	(205,000,000)
Payment of contingent consideration	(12,500,000)
Proceeds from short-term borrowings	23,995,063
Repayments of short-term borrowings	(23,995,063)

Net cash (used in) financing activities	<u>(217,500,000)</u>
------------------------------------------------	-----------------------------

Net decrease in cash and cash equivalents	(19,193,412)
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Cash and cash equivalents including restricted cash

Beginning of year	292,167,679
End of year	<u>\$ 272,974,267</u>

Supplemental cash flow information

Cash paid for income taxes	\$ 2,451,792
Cash paid for interest	124,409

The accompanying notes are an integral part of these financial statements.

MarketAxess Corporation

Notes to Financial Statements

December 31, 2023

1. Organization and Principal Business Activity

MarketAxess Corporation (“the Company”) was incorporated in the State of Delaware in September 1997 and operates leading electronic trading platforms delivering expanded liquidity opportunities, improved execution quality and significant cost savings across global fixed-income markets. Institutional investor and broker-dealer firms use the Company’s patented trading technology, accessing global liquidity on its platforms in U.S. high-grade bonds, U.S. high-yield bonds, emerging market debt, Eurobonds, municipal bonds, U.S. government bonds and other fixed-income securities. Through its Open Trading[®] protocols, the Company executes bond trades between and among institutional investor and broker-dealer clients in the leading all-to-all anonymous trading environment for corporate bonds. The Company also offers a number of trading-related products and services, including: CP+[™] pricing and other market data products to assist clients with trading decisions; auto-execution and other execution services for clients requiring specialized workflow solutions; connectivity solutions that facilitate straight-through processing; and technology services to optimize trading environments. The Company is a wholly-owned subsidiary of MarketAxess Holdings Inc. (the “Parent”), which is a publicly traded company listed on the NASDAQ Global Select Market under the symbol MKTX.

On April 3, 2023, MuniBrokers LLC, previously an affiliate of the Company under common control of the Parent, was merged into the Company (the “Merger”). The Company accounted for the Merger under ASC 805-50, Transactions Between Entities Under Common Control. Under ASC 805-50, the Merger represented a change in reporting entity. As such, on April 3, 2023, the net assets of MuniBrokers LLC were combined with those of the Company at their historical carrying amounts. The Company’s Statement of Operations, Statement of Changes in Shareholder’s Equity and Statement of Cash Flows reflect the combined balances of the Company and MuniBrokers LLC beginning January 1, 2023.

The Company is a broker-dealer registered with the U.S. Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”).

2. Significant Accounting Policies

Cash and Cash Equivalents

The Company defines cash equivalents as short-term interest-bearing investments with maturities at the time of purchase of three months or less.

Investments, at Fair Value

Investments are recorded in the Statement of Financial Condition on the trade date. Investments are carried at fair value, with realized and unrealized gains or losses included in investment gains/(losses) in the Statement of Operations.

Fair Value Financial Instruments

Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” A three-tiered hierarchy for determining fair value has been established that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as Level 1 (unadjusted quoted prices for identical assets or liabilities in active markets), Level 2 (inputs that are observable in the marketplace other than those inputs classified in Level 1) and Level 3 (inputs that are unobservable in the marketplace). The Company’s financial assets and liabilities measured at fair value on a recurring basis consist of its money market funds and trading securities. All other financial instruments are short-term in nature and the carrying amounts reported on the Statement of Financial Condition approximate fair value.

Receivables from and Payables to Broker-dealers, Clearing Organizations and Customers

Receivables from broker-dealers, clearing organizations and customers include amounts receivable for securities not delivered by the Company to the purchaser by the settlement date (“securities failed-to-deliver”) and cash deposits held at clearing organizations and clearing brokers to facilitate the settlement and clearance of matched principal transactions. Payables to broker-dealers, clearing organizations and customers include amounts payable for securities not received by the Company from a seller by the settlement date (“securities failed-to-receive”). Securities failed-to-deliver and securities failed-to-receive for transactions executed on a matched principal basis where the Company serves as a counterparty to both the buyer and the seller are recorded on a settlement date basis. The Company presents its securities failed-to-deliver and securities failed-to-receive balances on a net-by-counterparty basis within receivables from and payables to broker-dealers, clearing organizations and customers. The difference between the Company’s trade-date receivables and payables for unsettled matched principal transactions reflects commissions earned and is recorded within accounts receivable, net on a trade-date basis.

MarketAxess Corporation

Notes to Financial Statements

(Continued)

Allowance for Credit Losses

All accounts receivable have contractual maturities of less than one year and are derived from trading-related fees and commissions and revenues from products and services. The Company continually monitors collections and payments from its customers and maintains an allowance for doubtful accounts. The allowance for credit losses is based on estimated expected credit losses in accounts receivable, as determined from a review of aging schedules, past due balances, historical collection experience and other specific collection issues that have been identified. Account balances are grouped for evaluation based on various risk characteristics, including billing type, legal entity, and geographic region. Additions to the allowance for credit losses are charged to bad debt expense, which is included in general and administrative expense in the Statement of Operations. Balances that are determined to be uncollectable are written off against the allowance for credit losses. The allowance for credit losses, the provision for credit losses and write-offs against the allowance for credit losses were immaterial for the year ended December 31, 2023.

Depreciation and Amortization

Fixed assets are carried at cost less accumulated depreciation. The Company uses the straight-line method of depreciation over three or five years.

Software Development Costs

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

Cloud Computing Costs

The Company capitalizes certain costs associated with cloud computing arrangements, including, among other items, vendor software development costs billed to us that are part of the application development stage. These costs are recorded as a prepaid asset on the balance sheet and are amortized over the period of the hosting service contract, which range from one to five years. The Company reviews the amounts capitalized for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable.

MarketAxess Corporation

Notes to Financial Statements

(Continued)

Revenue Recognition

The Company's classification of revenues in the Statement of Operations represents revenues from contracts with customers disaggregated by type of revenue. The Company has three revenue streams as described below.

Commission Revenue – The Company charges its broker-dealer clients variable transaction fees for trades executed on its platforms and, under certain plans, distribution fees or monthly minimum fees to use the platforms for a particular product area. Variable transaction fees are recognized on a trade date basis, are generally calculated as a percentage of the notional dollar volume of bonds traded on the platforms and vary based on the type, size, yield and maturity of the bond traded, as well as individual client incentives. Bonds that are more actively traded or that have shorter maturities generally generate lower commissions, while bonds that are less actively traded or that have longer maturities generally command higher commissions. Under the Company's disclosed trading transaction fee plans, variable transaction fees, distribution fees and unused monthly fee commitments are invoiced and recorded on a monthly basis.

For Open Trading trades that the Company executes between and among institutional investor and broker-dealer clients on a matched principal basis by serving as counterparty to both the buyer and the seller, the Company earns its commission through the difference in price between the two trades. The commission is collected upon settlement of the trade, which typically occurs within one to two trading days after the trade date. For the majority of the Company's U.S. government bonds matched principal trades, commissions are invoiced and recorded on a monthly basis. The following table presents commission revenue by fee type for the year ended December 31, 2023:

Commission revenue by fee type

Variable transaction fees	
Disclosed trading	\$ 276,713,737
Open Trading - matched principal trading	137,432,937
U.S. government bonds - matched principal trading	15,222,148
Total variable transaction fees	<u>429,368,822</u>
Distribution fees and unused minimum fees	137,591,104
Total commissions	<u>\$ 566,959,926</u>

Information Services – Information services includes data licensed to the Company's broker-dealer clients, institutional investor clients and data-only subscribers. The nature and timing of each performance obligation may vary as these contracts are either subscription-based services transferred over time, and may be net of volume-based discounts, or one-time services that are transferred at a point in time. Revenues for services transferred over time are recognized ratably over the contract period as the Company's performance obligation is met whereas revenues for services transferred at a point in time are recognized in the period the services are provided. Customers are generally billed monthly, quarterly, or annually; revenues billed in advance are deferred and recognized ratably over the contract period. The following table presents information services revenue by timing of recognition for the year ended December 31, 2023:

Information services revenue by timing of recognition

Services transferred over time	\$ 18,369,194
Services transferred at a point in time	1,101,500
Total information services revenues	<u>\$ 19,470,694</u>

MarketAxess Corporation

Notes to Financial Statements

(Continued)

Contract liabilities consist of deferred revenues that the Company records when cash payments are received or due in advance of services to be performed. The revenue recognized from contract liabilities and the remaining balance is shown below:

	<u>December 31, 2022</u>	<u>Payments received in advance of services to be performed</u>	<u>Revenue recognized for services performed during the period</u>	<u>December 31, 2023</u>
Total deferred revenue	\$ 3,119,894	\$ 12,178,289	\$ (12,250,752)	\$ 3,047,431

The majority of the Company's contracts are short-term in nature with durations of less than one-year. For contracts with original durations extending beyond one year, the aggregate amount of the transaction price allocated to remaining performance obligations was \$49,915,956 as of December 31, 2023. The Company expects to recognize revenue associated with the remaining performance obligations over the next 58 months.

Investment gains/(losses)— Investment gains/(losses) includes realized and unrealized gains and losses on the Company's trading securities.

Other Revenues— Other revenues primarily includes interest income earned on the Company's cash and cash equivalents, restricted cash, deposits and U.S. treasury investments, revenue from telecommunications line charges to broker-dealer clients, and revenues received for services provided to affiliates.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all share-based payment awards based on their estimated fair values measured as of the grant date. These costs are recognized as an expense in the Statement of Operations over the requisite service period, which is typically the vesting period, with an offsetting liability to the Parent. Forfeitures are recognized as they occur.

Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when such differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized against deferred tax assets if it is more likely than not that such assets will not be realized in future years. Tax benefits for uncertain tax positions are recognized when it is more likely than not that the positions will be sustained upon examination based on their technical merits. The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Statement of Operations. All tax effects related to share-based payments are recorded in the provision for income taxes in the periods during which the awards are exercised or vest.

The Company files federal and combined state and local income tax returns with its Parent and U.S. affiliates. Pursuant to a tax sharing agreement between the Company and the Parent, income tax expense recorded by the Company is determined on a separate company basis.

Goodwill and Intangible Assets

The Company operates as a single reporting unit. An impairment review of goodwill is performed on an annual basis, at year-end, or more frequently if circumstances change. Intangible assets with definite lives, including customer relationships, are amortized over their estimated useful lives which range from one to 15 years using either a straight-line or accelerated amortization method based on the pattern of economic benefit the Company expects to realize from such assets. Intangible assets are assessed for impairment when events or circumstances indicate the existence of a possible impairment.

MarketAxess Corporation

Notes to Financial Statements

(Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk

The Company acts as a matched principal counterparty in connection with the Open Trading transactions that it executes between clients. The Company acts as an intermediary in these transactions by serving as counterparty to both the buyer and the seller in trades. Settlement typically occurs within one to two trading days after the trade date. Cash settlement of the transaction occurs upon receipt or delivery of the underlying instrument that was traded.

The Company is exposed to credit and performance risks in its role as a matched principal trading counterparty to its Open Trading clients executing bond trades on its platforms, including the risk that counterparties that owe the Company money or securities will not perform their obligations. These parties may default on their obligations 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 the Company's risk. Where the unmatched position or failure to deliver is prolonged, there may also be regulatory capital charges required to be taken by the Company. There can be no assurance that the policies and procedures the Company uses to manage this credit risk will effectively mitigate the credit risk exposure.

Cash and cash equivalents include cash and money market instruments that are primarily maintained at three major global banks. Given this concentration, the Company is exposed to certain credit risk in relation to the Company's deposits at these banks.

3. Net Capital and Customer Protection Requirements

Pursuant to Rule 15c3-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is required to maintain minimum net capital, as defined, equal to the greater of \$1,000,000 or 2% of aggregate debit items, as defined. As of December 31, 2023, the Company had net capital of \$315,570,145 which exceeded its required net capital of \$9,263,792 by \$306,306,353.

The Company is required to segregate funds in a special reserve bank account for the benefit of customers pursuant to Rule 15c3-3 of the Exchange Act. As of December 31, 2023, the Company had a balance of \$45,121,881 in its special reserve bank account.

4. Fair Value Financial Instruments

The following table summarizes the valuation of the Company's assets measured at fair value as categorized based on the hierarchy described in Note 2:

<u>As of December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ —	\$ —	\$ —	\$ —
Trading securities:				
U.S. Treasuries	—	74,562,500	—	74,562,500
Mutual funds held in rabbi trust	—	4,953,793	—	4,953,793
Total	<u>\$ —</u>	<u>\$ 79,516,293</u>	<u>\$ —</u>	<u>\$ 79,516,293</u>

Money market funds are included in cash and cash equivalents on the Statement of Financial Condition. Securities classified within Level 2 were valued using a market approach utilizing prices and other relevant information generated by market transactions involving comparable assets. The mutual funds held in a rabbi trust represent investments associated with the Parent's deferred cash incentive plan (see Note 12).

MarketAxess Corporation

Notes to Financial Statements

(Continued)

As described in Note 1, the Company is accounting for the Merger as a common control transaction under ASC 805. MuniBrokers LLC had previous contingent consideration payable, classified as a Level 3 liability, recorded in connection with its acquisition by the Parent in 2021. As a result of the Merger, this contingent consideration payable was recorded on the books and records of the Company. In May 2023, the Company made final payment on the remaining contingent consideration.

The following table summarizes the change in the Company's Level 3 liabilities for the year ended December 31, 2023:

	<u>December 31, 2022</u>	<u>Payments</u>	<u>Realized (Gain)/Loss</u>	<u>December 31, 2023</u>
Contingent consideration payable	\$ 12,339,688	\$ (12,500,000)	\$ 160,312	\$ —

The table below presents the carrying value, fair value and fair value hierarchy category of the Company's financial assets and liabilities that are not measured at fair value on the Statement of Financial Condition. The carrying values of the Company's financial assets and liabilities not measured at fair value categorized in the fair value hierarchy as Level 1 and Level 2 approximate fair value due to the short-term nature of the underlying assets and liabilities.

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of December 31, 2023						
Financial assets not measured at fair value:						
Cash and cash equivalents	\$ 141,543,717	\$ 141,543,717	\$ 141,543,717	\$ —	\$ —	\$ 141,543,717
Cash segregated under federal regulations	45,121,881	45,121,881	45,121,881	—	—	45,121,881
Accounts receivable, net	70,108,170	70,108,170	—	70,108,170	—	70,108,170
Receivables from broker-dealers, clearing organizations and customers	604,083,639	604,083,639	86,189,669	517,893,970	—	604,083,639
Total	<u>\$ 860,857,407</u>	<u>\$ 860,857,407</u>	<u>\$ 272,855,267</u>	<u>\$ 588,002,140</u>	<u>\$ —</u>	<u>\$ 860,857,407</u>
Financial liabilities not measured at fair value:						
Payables to broker-dealers, clearing organizations and customers	<u>\$ 496,104,230</u>	<u>\$ 496,104,230</u>	<u>\$ —</u>	<u>\$ 496,104,230</u>	<u>\$ —</u>	<u>\$ 496,104,230</u>

During the year ended December 31, 2023, there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities.

The following is a summary of the Company's investments:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
As of December 31, 2023				
U.S. Treasuries	\$ 74,304,687	\$ 257,813	\$ —	\$ 74,562,500
Mutual funds held in rabbi trust	4,823,182	130,611	—	4,953,793
Total investments	<u>\$ 79,127,869</u>	<u>\$ 388,424</u>	<u>\$ —</u>	<u>\$ 79,516,293</u>

The following table summarizes the fair value of the Company's investments based upon the contractual maturities as of December 31, 2023:

Less than one year	\$	54,709,652
Due in 1 - 5 years		24,806,641
Total	<u>\$</u>	<u>79,516,293</u>

MarketAxess Corporation

Notes to Financial Statements

(Continued)

Purchases of investments during the year ended December 31, 2023 were \$24,875,000. Proceeds from the sales and maturities of investments during the year ended December 31, 2023 were \$25,000,000. Net unrealized gains on trading securities were \$1,053,061 for the year ended December 31, 2023. Net realized losses on trading securities were \$59,029 for the year ended December 31, 2023.

5. Receivables from and Payables to Broker-dealers, Clearing Organizations and Customers

As of December 31, 2023, the Company's receivables from and payables to broker-dealers, clearing organizations and customers consisted of the following:

Receivables from broker-dealers, clearing organizations and customers:

Securities failed-to-deliver – broker-dealers and clearing organizations	\$	271,008,132
Securities failed-to-deliver - customers		241,677,744
Deposits with clearing organizations and broker-dealers		86,189,669
Other		5,208,094
Total	\$	<u>604,083,639</u>

Payables to broker-dealers, clearing organizations and customers:

Securities failed-to-receive – broker-dealers and clearing organizations	\$	92,336,777
Securities failed-to-receive - customers		397,210,085
Other		6,557,368
Total	\$	<u>496,104,230</u>

6. Goodwill and Intangible Assets

As described in Note 1, the Company is accounting for the Merger as a common control transaction under ASC 805. MuniBrokers LLC had previous goodwill and intangible assets that are subject to amortization recorded on its books and records recognized as part of the acquisition of MuniBrokers LLC by the Parent in 2021. Subsequent to the Merger, these goodwill and intangible asset balances are recorded on the books and records of the Company.

As of December 31, 2023, Goodwill was \$95,278,455. As of December 31, 2023, intangible assets that are subject to amortization, including the related accumulated amortization, are comprised of the following:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net Carrying amount</u>
Customer relationships	\$ 85,790,000	\$ (30,504,807)	\$ 55,285,193
Technology and other intangibles	4,880,000	(3,815,527)	1,064,473
	<u>\$ 90,670,000</u>	<u>\$ (34,320,334)</u>	<u>\$ 56,349,666</u>

Amortization expense associated with identifiable intangible assets was \$12,748,033 for the year ended December 31, 2023. The Company's annual estimated total amortization expense is \$10,923,716, \$8,632,800, \$7,346,916, \$6,320,643 and \$5,361,691 for the years ended December 31, 2024 through 2028, respectively.

7. Furniture, Equipment and Capitalized Software

Furniture, equipment and capitalized software development costs are comprised of the following:

Software development costs	\$	219,395,631
Software licenses, computer and related equipment		13,359,998
Office hardware		31,202,080
Accumulated depreciation		(196,061,235)
Total furniture, equipment and capitalized software, net	\$	<u>67,896,474</u>

MarketAxess Corporation

Notes to Financial Statements

(Continued)

For the year ended December 31, 2023, depreciation and amortization expense was \$39,155,943. For the year ended December 31, 2023, software development costs totaling \$35,928,493 were capitalized. Non-capitalized software costs and routine maintenance costs are expensed as incurred and are included in employee compensation and benefits and professional and consulting fees in the Statement of Operations.

8. Income Taxes

The provision for income taxes consists of the following:

Current:

Federal	\$ 52,709,504
State and local	4,875,883
Total current provision	<u>57,585,387</u>

Deferred:

Federal	(2,744,648)
State and local	(723,355)
Total deferred provision	<u>(3,468,003)</u>
Provision for income taxes	<u>\$ 54,117,384</u>

The difference between the U.S. federal statutory tax rate of 21% and the Company's effective tax rate is as follows:

U.S. federal statutory tax rate	21.0%
State and local taxes, net of federal benefit	1.3
Tax credits	(0.7)
Excess tax benefit from stock-based compensation	0.1
Other, net	0.4
Effective tax rate	<u>22.1%</u>

The following is a summary of the Company's deferred tax assets and liabilities:

Deferred tax assets	
Stock-based compensation	\$ 3,015,280
Capitalized Software Development Costs	818,450
Other	1,467,516
Total deferred tax assets	<u>5,301,246</u>
Deferred tax liabilities	
Depreciation and amortization	(2,819,450)
Goodwill and intangibles	(3,100,632)
Total deferred tax liabilities	<u>(5,920,082)</u>
Deferred tax liabilities, net	<u>\$ (618,836)</u>

The Company or the Parent files U.S. federal, state, and local income tax returns. In 2022, the Company settled its New York State income tax examination for tax years 2010 through 2014 and is currently under a New York State income tax examination for tax years 2015 through 2017 and a New York City income tax examination for the tax years 2016 through 2018. At this time, the Company cannot estimate when the examinations will conclude or the impact such examinations will have on the Company's Financial Statements, if any. Generally, other than New York City and State, the Company is no longer subject to tax examinations by tax authorities for years prior to 2020.

A reconciliation of the Company's unrecognized tax benefits is as follows:

Balance at December 31, 2022	\$ 9,834,601
Decrease related to settlements with taxing authorities	(6,704,685)
Balance at December 31, 2023	<u>\$ 3,129,916</u>

MarketAxess Corporation

Notes to Financial Statements

(Continued)

As of December 31, 2023, the Company recorded \$3,129,916 of unrecognized tax benefits which, if recognized, would affect the Company's effective tax rate. The Company estimates that this remaining unrecognized tax benefit will be settled within the next 12 months. However, due to the uncertainty related to the timing and potential outcome of the audits, the Company cannot reasonably estimate the amount of any additional unrecognized tax benefit that could be adjusted in the next 12 months. During the year ended December 31, 2023, the Company recognized \$1,602,244 in penalties and interest. The Company had \$2,557,858 accrued for the payment of interest and penalties at December 31, 2023.

9. Affiliate Transactions

The Company incurred allocated expenses from the Parent including occupancy, utilities, audit, insurance and depreciation and amortization of leasehold improvements and furniture and fixtures based on an internal methodology. The allocated costs were \$13,187,417 for the year ended December 31, 2023. In addition, the Parent makes tax payments on the Company's behalf. As of December 31, 2023, the amounts due to and from the Parent were \$18,665,273 and \$838,110, respectively. The net amount due to the Parent was \$17,827,163 and is included in accounts payable and other liabilities on the Statement of Financial Condition.

The Company provides IT infrastructure and development support for an overseas affiliate that operates trading platforms for certain users principally located in Europe and Asia. The Company also provides marketing, legal and compliance and finance and accounting services to this affiliate. The related costs the Company charged to this affiliate amounted to \$7,086,448 for the year ended December 31, 2023, and is included in other revenues in the Statement of Operations. This affiliate also provides intermediary services to the Company for sales and customer support for clients in the region that trade U.S. products. The related costs charged by this affiliate to the Company amounted to \$70,551,177 for the year ended December 31, 2023, and is included in service agreement fees to affiliates in the Statement of Operations. As of December 31, 2023, the amounts due to and from this affiliate were \$1,950,057 and \$1,646,829, respectively. The net amount due to this affiliate was \$303,228 and is included in accounts payable and other liabilities on the Statement of Financial Condition.

The Company provides IT services and related infrastructure support to an affiliate. The related costs the Company charged to this affiliate amounted to \$570,736 and is included other revenue in the Statement of Operations for the year ended December 31, 2023. This affiliate also provides the Company with market data services. The related costs charged by this affiliate to the Company amounted to \$934,866 and is included in service agreement fees to affiliates in the Statement of Operations for the year ended December 31, 2023. As of December 31, 2023, the amounts due to and from this affiliate were \$312,816 and \$52,477, respectively. The net amount due to this affiliate was \$260,340 and is included in accounts payable and other liabilities on the Statement of Financial Condition.

The Company provides clearing and settlement support to an overseas affiliate. The related costs the Company charged to this affiliate amounted to \$166,769 for the year ended December 31, 2023 and is included in other revenue on the Statement of Operations. This affiliate also serves as a counterparty for certain matched principal trades where the Company serves as a counterparty to both the buyer and the seller. The Company had securities failed-to-deliver and securities failed-to-receive balances with this affiliate as of December 31, 2023. The net securities failed-to-deliver balance with this affiliate was \$13,024,792 and is included within receivables from broker-dealers, clearing organizations and customers on the Statement of Financial Condition.

An affiliate provides technology services to users of the Company's trading platforms. The related costs charged by this affiliate to the Company amounted to \$1,954,179 and is included in service agreement fees to affiliates in the Statement of Operations for the year ended December 31, 2023. As of December 31, 2023, the amounts due to and from this affiliate were \$182,822 and \$1,602,789, respectively. The net amount due from this affiliate was \$1,419,968 and is included in accounts receivable on the Statement of Financial Condition.

An affiliate provides trading services to the Company. The related costs charged by this affiliate to the Company amounted to \$437,925 for the year ended December 31, 2023, and is included in service agreement fees to affiliates in the Statement of Operations. As of December 31, 2023, the amount due to this affiliate was \$104,954 and is included in accounts payable and other liabilities on the Statement of Financial Condition.

Pursuant to an intermediary services agreement with an affiliate, the affiliate provides intermediary services to the Company for sales and customer support certain users located in Canada that trade U.S. products. The related costs charged by this affiliate to the Company amounted to \$200,820 for the year ended December 31, 2023 and is included in service agreement fees to affiliates in the Statement of Operations. As of December 31, 2023, the amount due to this affiliate was \$18,946 and is included in accounts payable and other liabilities on the Statement of Financial Condition.

An affiliate provides sales and customer support to the Company for certain clients located in Latin America. The related costs charged by this affiliate to the Company amounted to \$609,206 and are included in service agreement fees to affiliates in the Statement of Operations for the year ended December 31, 2023. As of December 31, 2023, the amount due to this affiliate was \$54,637 and is included in accounts payable and other liabilities on the Statement of Financial Condition.

MarketAxess Corporation

Notes to Financial Statements

(Continued)

The Company allocates charges for allocated resources to affiliates in Singapore and the Netherlands. As of December 31, 2023, the amount due to these affiliates was \$41,426 and is included in accounts payable and other liabilities on the Statement of Financial Condition.

10. Stock-based Compensation Plans

Certain of the Company's employees participate in the Parent's stock incentive plan, which provides for the grant of stock options, restricted stock, restricted stock units, performance shares, performance units, or other stock-based awards as incentives to encourage employees, consultants and non-employee directors to participate in the long-term success of the Parent. Stock compensation expense related to restricted stock units, performance stock units and stock options was \$14,344,060 and is included in employee compensation and benefits in the Statement of Operations.

Stock Options

The exercise price of each option granted is equal to the market price of the Parent's common stock on the date of grant. Generally, option grants have provided for vesting over a three or five-year period. Options generally expire in six or ten years from the date of grant. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model ("Black-Scholes"). The determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Parent's stock price as well as assumptions regarding a number of highly complex and subjective variables, including the expected stock price volatility over the term of the awards, the risk-free interest rate, the expected dividend yield rate and the expected term. Expected volatilities are based on historical volatility of the Parent's stock. The risk-free interest rate is based on U.S. Treasury securities with a maturity value approximating the expected term of the option. The dividend yield rate is based on the expected annual dividends to be paid divided by the expected stock price. The expected term represents the period of time that options granted are expected to be outstanding based on actual and projected employee stock option exercise behavior.

The following table reports stock option activity for the year ended December 31, 2023 and the intrinsic value as of December 31, 2023:

	Number of Shares	Weighted Average Exercise Price (\$)	Remaining Contractual Term	Intrinsic Value (\$)
Outstanding at December 31, 2022	28,237	318.36		
Transfer of employee to affiliate	(87)	210.88		
Cancelled	(551)	382.12		
Exercised	(5,653)	166.34		
Outstanding at December 31, 2023	21,946	356.35	2.6	493,969
Exercisable at December 31, 2023	15,206	336.76	2.1	493,969

The intrinsic value is the amount by which the closing price of the Parent's common stock on December 31, 2023 of \$292.85 or the price on the day of exercise exceeds the exercise price of the stock options multiplied by the number of shares. As of December 31, 2023, there was \$313,783 of total unrecognized compensation cost related to non-vested stock options. That cost is expected to be recognized over a weighted-average period of 0.9 years.

Annual Service-Based Restricted Stock and Restricted Stock Unit Awards

The Parent's annual compensation program includes share-based compensation awards as a component of certain employees' total compensation. These awards are generally vest ratably over a three-year period, subject to continued service to the Parent or one of its subsidiaries. In addition, the Parent grants share-based compensation awards in conjunction with certain new hires and for retention purposes. These awards generally vest over a three- or four-year period. Such share-based compensation awards are expensed over the requisite service period.

MarketAxess Corporation

Notes to Financial Statements

(Continued)

Performance-based Performance Shares and Performance Stock Unit Awards

The Parent grants performance equity awards to certain executives and certain senior managers of the firm as a component of their total compensation and in conjunction with certain new hires and for retention purposes. Annual performance equity awards generally cliff-vest on the third anniversary of the grant date based on the certification of certain performance metrics and subject to the applicable employee's continued service with the Parent or one of its subsidiaries.

In January 2021, annual performance equity awards were granted with a three-year performance period that would vest based on the level of achievement by the Parent of certain predetermined metrics, including pre-tax adjusted operating margin and market share for the years ended December 31, 2021, 2022 and 2023, subject to continued service with the Parent or one of its subsidiaries through the vesting date. In January 2024, the Parent's Compensation and Talent Committee of the Board certified the Parent's performance against such metrics at 38.9%. Compensation expense for the three-year performance equity awards is measured at the grant date and expensed over the requisite service period with performance target achievement assessed at the end of each reporting period.

In January 2022 and February 2023, annual performance stock units were granted with a three-year performance period that will vest based on the level of achievement by the Parent of certain predetermined metrics, including pre-tax adjusted operating margin, U.S. credit market share and revenue growth excluding U.S. credit for the following three fiscal years, including the year of grant. The final awarded payout for the awards granted in 2022 and 2023 will range from zero to 200%. Subject to the grantee's continued service, any performance equity awarded to a participant will vest on the three-year anniversary of the grant date. Compensation expense for the three-year performance stock units is measured at the grant date and expensed over the requisite service period with performance target achievement assessed at the end of each reporting period.

In March 2022, the Company's Chief Information Officer received a one-time sign-on equity award consisting, in part, of a performance stock unit award with a target of 3,986 shares. The award will vest on March 1, 2025 after certification of the performance criteria, subject to his continued employment through such date.

The following table reports the Company's performance payout estimates for three-year performance period awards at December 31, 2023, as well as the target and maximum share payouts for each award date granted:

<u>Award Date</u>	<u>2023 Estimate</u>	<u>Target</u>	<u>Maximum</u>
January 15, 2021	1,556	4,000	8,000
January 31, 2022	3,387	5,421	10,842
March 1, 2022	2,490	3,986	7,972
February 15, 2023	3,889	5,009	10,018

The following table reports restricted stock unit and performance stock unit activity during the year ended December 31, 2023:

	<u>Number of Restricted Shares</u>	<u>Weighted- Average Grant Date Fair Value</u>
Outstanding at December 31, 2022	65,612	\$ 379.37
Transfer of employees to affiliate	(206)	
Granted	47,551	
Performance share pay-out	2,460	
Forfeited	(4,543)	
Vested	(30,560)	
Outstanding at December 31, 2023	<u>80,314</u>	<u>\$ 358.06</u>

As of December 31, 2023, there was \$19,690,214 of total unrecognized compensation expense related to non-vested restricted stock and performance shares. That cost is expected to be recognized over a weighted-average period of 1.6 years.

MarketAxess Corporation

Notes to Financial Statements

(Continued)

Employee Stock Purchase Plan

The Parent maintains the MarketAxess Holdings Inc. 2022 Employee Stock Purchase Plan (the “ESPP”) pursuant to which a total of 121,221 shares of the Parent's Common Stock will be made available for purchase by employees. For the year ended December 31, 2023, the Parent issued 4,655 shares of common stock under the ESPP. As of December 31, 2023, there were 116,566 shares available for purchase under the ESPP.

11. Borrowings, Commitments and Contingencies

Uncommitted Collateralized Agreements

In connection with its self-clearing operations, the Company maintains agreements (the “Collateralized Agreements”) with a settlement bank to allow the Company to borrow in the aggregate of up to \$450,000,000 on an uncommitted basis, collateralized by eligible securities pledged by the Company to the settlement bank, subject to certain haircuts. Borrowings under the Collateralized Agreements will bear interest at a base rate per annum equal to the higher of the upper range of the Federal Funds Rate, 0.25% or one-month Secured Overnight Financing Rate, plus 1.00%. The Company incurred \$3,194 of interest expense on borrowings under the Collateralized Agreements during the year ended December 31, 2023. As of December 31, 2023, the Company had no borrowings outstanding and up to \$450,000,000 in available uncommitted borrowing capacity under the Collateralized Agreements.

Short-term Financing

Under an arrangement with its settlement bank, the Company may receive overnight financing in the form of bank overdrafts. The Company incurred interest expense on such overnight financing of \$133,393 during the year ended December 31, 2023. As of December 31, 2023, the Company had no overdrafts payable outstanding.

12. Retirement and Deferred Compensation Plans

The Parent offers the Company's employees the opportunity to participate in a defined contribution 401(k) plan (the “401(k) Plan”). Participation in the 401(k) Plan is available to all full-time employees of the Company. The Company made \$4,077,655 in matching contributions to the 401(k) Plan for the year ended December 31, 2023.

The Parent offers a non-qualified deferred cash incentive plan to certain officers and other employees. Under the plan, eligible employees may defer up to 100% of their annual cash incentive pay. The Parent has elected to fund its deferred compensation obligations through a rabbi trust. The rabbi trust is subject to creditor claims in the event of insolvency, but such assets are not available for general corporate purposes. Assets held in the rabbi trust are invested in mutual funds, as selected by the participants, which are designated as trading securities and carried at fair value. As of December 31, 2023, the fair value of the mutual fund investments and deferred compensation obligation was \$4,953,793. Dividends and realized and unrealized gains and losses on the securities held in the rabbi trust are recognized as trading gains and losses and included in investment gains/(losses) on the Statement of Operations. The offsetting increase or decrease in the the deferred compensation obligation is recorded in employee compensation and benefits. For the year ended December 31, 2023, the trading gains were \$947,210 with the offsetting impact included in employee compensation and benefits.

13. Cash and Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash and cash equivalents together with restricted or segregated cash as reported within the Statement of Financial Condition to the sum of the same such amounts shown in the Statement of Cash Flows as of December 31, 2023:

	Statement of Financial Condition Location	
Cash and cash equivalents	Cash and cash equivalents	\$ 141,543,717
Cash segregated for regulatory purposes	Cash segregated under federal regulations	45,121,881
Deposits with clearing organizations and broker-dealers	Receivables from broker-dealers, clearing organizations and customers	86,189,669
Other deposits	Prepaid expenses and other assets	119,000
Total		<u>\$ 272,974,267</u>

MarketAxess Corporation
Notes to Financial Statements
(Continued)

14. Subsequent Events

The Company evaluated whether any other events or transactions occurred subsequent to the date of the Statement of Financial Condition through February 29, 2024, and determined that there were no additional material events or transactions that would require recognition or disclosure in these Financial Statements.

MarketAxess Corporation

(A wholly-owned subsidiary of MarketAxess Holdings Inc.)

Computation of Net Capital Under

Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2023

Supplementary Schedule I

Net Capital

Total shareholder's equity	\$	615,531,946
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Deductions

Nonallowable assets

Mutual funds held in rabbi trust, at fair value	\$	4,953,793
Accounts receivable, net		40,902,605
Goodwill		95,278,455
Intangible assets, net		56,349,666
Equipment and software development costs, net		67,896,474
Prepaid expenses and other assets		20,251,004
Aged fail-to-deliver		7,656,016
Other deductions and charges		5,804,130
Net Capital before haircuts on securities positions		316,439,803
Haircuts on securities		(869,658)
Net capital		315,570,145
Required net capital		9,263,792
Excess net capital	\$	306,306,353

Net capital in excess of the greater of:

5% of aggregate debits or 120% of min net capital req	\$	292,410,666
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There are no material differences between the computation above and the Company's unaudited FOCUS Report as of December 31, 2023 as filed on January 25, 2024.

MarketAxess Corporation

(A wholly-owned subsidiary of MarketAxess Holdings Inc.)

Computation for Determination of Reserve Requirement Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2023

Supplementary Schedule II

Free credit balances and other credit balances in customers' security accounts	\$	401,903,450
Customers' securities failed to receive		67,454,304
Total credits		469,357,754
Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection		225,839,738
Failed to deliver of customers' securities not older than 30 calendar days.		237,349,844
Aggregate debits		463,189,582
Less 3%		(13,895,687)
Total debits		449,293,895
Excess of total credits over debits	\$	20,063,859
Amount held in reserve bank account	\$	45,121,881

There are no material differences between the computation above and the Company's unaudited FOCUS Report as of December 31, 2023 as filed on January 25, 2024.

MarketAxess Corporation

(A wholly-owned subsidiary of MarketAxess Holdings Inc.)

Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2023

Supplementary Schedule III

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control for which instructions to reduce to possession or control had been issued but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3: —

A. Number of items —

2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3: —

A. Number of items —