

MarketAxess Corporation

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

Statement of Financial Condition (Unaudited)

June 30, 2025

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Assets

Cash and cash equivalents	\$ 127,251,505
Cash segregated under federal regulations	47,930,032
Investments, at fair value	80,539,380
Accounts receivable, including accounts receivable from affiliates of \$3,750,633, net of allowance of \$518,813	77,386,782
Receivables from broker-dealers, clearing organizations and customers, including receivables from affiliate of \$875,952	412,195,706
Goodwill	113,869,175
Intangible assets, net of accumulated amortization	47,424,337
Furniture, equipment and capitalized software, net of accumulated depreciation and amortization	70,537,764
Prepaid expenses and other assets	33,094,187
Deferred tax assets, net	5,629,065
Total assets	<u>1,015,857,933</u>

Liabilities and Shareholder's Equity

Liabilities

Accrued employee compensation	23,375,002
Payables to broker-dealers, clearing organizations and customers, including payables to affiliate of \$1,872,292	232,772,371
Accounts payable and other liabilities, including payable to affiliates of \$17,771,109	97,991,043
Total liabilities	<u>354,138,416</u>

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	291,326,531
Retained earnings	370,392,976
Total shareholder's equity	<u>661,719,517</u>
Total liabilities and shareholder's equity	<u>\$ 1,015,857,933</u>

The accompanying notes are an integral part of this statement of financial condition.

MarketAxess Corporation

Notes to Statement of Financial Condition (Unaudited)

June 30, 2025

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: Composite+[™] 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 May 9, 2025, RFQ-hub Americas LLC, 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 May 9, 2025, the net assets of RFQ-hub Americas LLC were combined with those of the Company at their historical carrying amounts.

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 and are carried at fair value.

Fair Value Measurements

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 investments. These financial instruments are reported on the Statement of Financial Condition at 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.

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Notes to Statement of Financial Condition (Unaudited)

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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 the 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. Balances that are determined to be uncollectable are written off against the allowance for credit losses. The allowance for credit losses was immaterial as of June 30, 2025.

Depreciation and Amortization

Equipment is 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 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.

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.

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 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.

Use of Estimates

The preparation of the Company's Statement of Financial Condition in conformity with U.S. GAAP requires the Company's 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 Statement of Financial Condition and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Statement of Financial Condition (Unaudited)
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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 platform, 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 includes 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. As of June 30, 2025, the Company had cash balances that exceeded the Federal Deposit Insurance Corporation limit of \$250,000.

3. Net Capital and Customer Protection Requirements

Pursuant to the Uniform Net Capital Rule of the Securities Exchange Act of 1934, 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 June 30, 2025, the Company had net capital of \$325,738,383, which exceeded its required net capital of \$3,020,624 by \$322,717,759.

Pursuant to the Customer Protection Rule of the Securities Exchange Act of 1934, the Company is required to segregate funds in a special reserve bank account for the benefit of customers. As of June 30, 2025, the Company had a balance of \$47,930,032 in its special reserve bank account.

4. Fair Value Measurements

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

<u>As of June 30, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ —	\$ —	\$ —	\$ —
Trading securities:				
U.S. Treasuries	—	75,385,881	—	75,385,881
Mutual funds held in rabbi trust	—	5,153,499	—	5,153,499
Total	<u>\$ —</u>	<u>\$ 80,539,380</u>	<u>\$ —</u>	<u>\$ 80,539,380</u>

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 11). There were no financial assets or liabilities classified within Level 3 as of June 30, 2025.

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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 June 30, 2025						
Financial assets not measured at fair value:						
Cash and cash equivalents	\$ 127,251,505	\$ 127,251,505	\$ 127,251,505	\$ —	\$ —	\$ 127,251,505
Cash segregated under federal regulations	47,930,032	47,930,032	47,930,032	—	—	47,930,032
Accounts receivable, net	77,386,782	77,386,782	—	77,386,782	—	77,386,782
Receivables from broker-dealers, clearing organizations and customers	412,195,706	412,195,706	107,106,832	305,088,874	—	412,195,706
Total	<u>\$ 664,764,025</u>	<u>\$ 664,764,025</u>	<u>\$ 282,288,369</u>	<u>\$ 382,475,656</u>	<u>\$ —</u>	<u>\$ 664,764,025</u>
Financial liabilities not measured at fair value:						
Payables to broker-dealers, clearing organizations and customers	<u>\$ 232,772,371</u>	<u>\$ 232,772,371</u>	<u>\$ —</u>	<u>\$ 232,772,371</u>	<u>\$ —</u>	<u>\$ 232,772,371</u>

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 June 30, 2025				
U.S. Treasuries	\$ 75,574,479	\$ —	\$ (188,598)	\$ 75,385,881
Mutual funds held in rabbi trust	4,254,165	903,609	(4,275)	5,153,499
Total investments	<u>\$ 79,828,644</u>	<u>\$ 903,609</u>	<u>\$ (192,873)</u>	<u>\$ 80,539,380</u>

The following table summarizes the fair value of the Company's U.S Treasury investments based upon the contractual maturities as of June 30, 2025:

Less than one year	\$	—
Due in 1 - 5 years		75,385,881
Total	<u>\$</u>	<u>75,385,881</u>

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Notes to Statement of Financial Condition (Unaudited)
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5. Receivables from and Payables to Broker-dealers, Clearing Organizations and Customers

As of June 30, 2025, 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	\$	194,994,119
Securities failed-to-deliver - customers		104,214,337
Cash deposits with clearing organizations and broker-dealers		107,106,832
Other		5,880,418
Total	\$	<u>412,195,706</u>

Payables to broker-dealers, clearing organizations and customers:		
Securities failed-to-receive – broker-dealers and clearing organizations	\$	172,213,148
Securities failed-to-receive - customers		53,719,398
Other		6,839,825
Total	\$	<u>232,772,371</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. RFQ-hub Americas 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 RFQ-hub Holdings LLC and its subsidiaries, including RFQ-hub Americas LLC, by the Parent in in May 2025. Subsequent to the Merger, these goodwill and intangible asset balances are recorded on the books and records of the Company.

As of June 30, 2025, goodwill was \$113,869,175. Intangible assets that are subject to amortization, including the related accumulated amortization, are comprised of the following:

	June 30, 2025		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net Carrying amount</u>
Customer relationships	\$ 88,090,000	\$ (44,843,291)	\$ 43,246,709
Developed technology and other intangibles	9,180,000	(5,002,372)	4,177,628
	<u>\$ 97,270,000</u>	<u>\$ (49,845,663)</u>	<u>\$ 47,424,337</u>

7. Furniture, Equipment and Capitalized Software

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

Software development costs	\$ 274,066,439
Software licenses, computer and related equipment	12,299,213
Office hardware	41,299,848
Accumulated depreciation	<u>(257,127,736)</u>
Total furniture, equipment and capitalized software, net	<u>\$ 70,537,764</u>

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Notes to Statement of Financial Condition (Unaudited)
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8. Income Taxes

The following is a summary of the Company's net deferred tax assets as of June 30, 2025:

Deferred tax assets	
Stock-based compensation	\$ 3,348,927
Capitalized Software Development Costs	5,523,979
Other	<u>1,584,157</u>
Total deferred tax assets	<u>10,457,063</u>
Deferred tax liabilities	
Depreciation and amortization	(4,132,948)
Goodwill and intangibles	<u>(695,050)</u>
Total deferred tax liabilities	<u>(4,827,998)</u>
Deferred tax assets, net	<u>\$ 5,629,065</u>

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

As of June 30, 2025, the Company's liability for unrecognized tax benefits was \$58.8 million.

9. Affiliate Balances

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. In addition, the Parent makes tax payments on the Company's behalf. As of June 30, 2025, the amounts due to and from the Parent were \$16,302,078 and \$1,137,784, respectively. The net amount due to the Parent was \$15,164,294 and is included in accounts payable and other liabilities on the Statement of Financial Condition.

An affiliate provides technology services to users of the Company's trading platforms. As of June 30, 2025, the amounts due to and from this affiliate were \$153,124 and \$781,829 respectively. The net amount due from this affiliate was \$628,705 and is included in accounts receivable on the Statement of Financial Condition.

An affiliate provides trading services to the Company. As of June 30, 2025, the net amount due from this affiliate was \$17,950 and is included in accounts receivable on the Statement of Financial Condition.

The Company provides IT development support for an overseas affiliate that operates trading platforms for certain users principally located in Europe and Asia. This affiliate provides intermediary services to the Company for sales and customer support for clients in the region that trade U.S. products. As of June 30, 2025, the amounts due to and from this affiliate were \$4,157,206 and \$2,794,231, respectively. The net amount due to this affiliate was \$1,362,976 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. This affiliate also provides the Company with market data services. As of June 30, 2025, the amounts due to and from this affiliate were \$632,593 and \$105,261, respectively. The net amount due to this affiliate was \$527,333 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 affiliate charges the Company fees for these services. As of June 30, 2025, the amount due to this affiliate was \$11,471 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. As of June 30, 2025, the amount due to this affiliate was \$39,717 and is included in accounts payable and other liabilities on the Statement of Financial Condition.

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The Company provides clearing and settlement support to an overseas affiliate. As of June 30, 2025, the amount due from this affiliate was \$22,643 and is included in accounts receivable on the Statement of Financial Condition. 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 net securities failed-to-deliver and securities failed-to-receive balances with this affiliate as of June 30, 2025. The net securities failed-to-deliver balance with this affiliate was \$875,952 and is included within receivables from broker-dealers, clearing organizations and customers on the Statement of Financial Condition. The net securities failed-to-receive balance with this affiliate was \$1,872,292 and is included within payables to broker-dealers, clearing organizations and customers on the Statement of Financial Condition.

10. Borrowings, Commitments and Contingencies

Collateralized Agreements

In connection with its self-clearing operations, the Company maintains 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 securities pledged by the Company to the settlement bank, subject to certain haircuts. Borrowings under these agreements will bear interest at a 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 (“SOFR”), plus 1.00%. As of June 30, 2025, the Company had no borrowings outstanding and \$450,000,000 in available borrowing capacity under these agreements.

Short-term Financing

Under an arrangement with a settlement bank, the Company may receive overnight financing in the form of bank overdrafts. As of June 30, 2025, the Company had no overdrafts payable outstanding.

11. 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 \$5,069,443 in matching contributions to the 401(k) Plan for the six months ended June 30, 2025.

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 June 30, 2025, the fair value of the Company's mutual fund investments and deferred compensation obligation were \$5,153,499.

12. Subsequent Events

The Company evaluated whether any other events or transactions occurred subsequent to the date of the Statement of Financial Condition and determined that there were no additional material events or transactions that would require recognition or disclosure.