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MarketAxess Develops REXIQ™: A Proprietary Approach to Fixed-Income Transaction Cost Analysis

NEW YORK--(BUSINESS WIRE)--Mar. 30, 2012-- MarketAxess Holdings Inc. (Nasdaq: MKTX), the operator of a leading electronic trading platform for U.S. and European high-grade corporate bonds, emerging markets bonds and other types of fixed-income securities, today announced the introduction of **REXIQ™**: Reducing Execution Costs, a new proprietary approach to analyzing trading costs in the fixed-income markets that has been developed by MarketAxess Research.

In highly liquid markets such as equities, a number of sophisticated approaches are widely accepted to measure the main components of trading costs – known as transaction cost analysis (TCA) – and thereby help support customers' best execution requirements. **REXIQ** is the first formal methodology for measuring transaction costs in the less liquid corporate bond markets.

Separately, new independent academic research from the University of California, Berkeley, shows that there are material reductions in trading costs for users of electronic trading tools that source liquidity from a greater number of counterparties*.

REXIQ Methodology

MarketAxess Research looked at the embedded costs of trading, consisting of the dealer mark-up plus any fee associated with executing the trade. It was therefore possible to determine the cost of execution by comparing the electronically executed trade to a 'prevailing market price' using corporate bond market data from FINRA's TRACE.

For its initial analysis, MarketAxess took a sample of 900,000 TRACE-reported trades over a 24-month period from January 2009 through December 2010. From these, MarketAxess identified 150,000 trades for which it could establish a prevailing market price and for which it was able to compare electronic trades with a sufficient number of TRACE prints.

Findings

MarketAxess' research demonstrated the statistically and economically significant cost savings afforded to the end user by electronic trading across all trade size buckets and maturities in the fixed-income credit markets. MarketAxess was able to estimate, at a 95% confidence level, that the average cost savings of electronic execution for all trades during the period analyzed was 5.2 bps, compared to the calculated Volume Weighted Average Spread (VWAS).

Rick McVey, Chairman and CEO of MarketAxess, said: "Forthcoming regulatory changes are placing increased scrutiny on transparency of execution in the over-the-counter markets. Electronic trading helps address the stated goals of this regulation – to create more open, transparent and competitive OTC markets – and drive trading efficiencies. **REXIQ** can deliver insight into the corporate bond market to help fund managers meet fiduciary responsibilities. Our research validates the value of e-trading as a tool in achieving transaction cost savings and improved portfolio returns. Using this methodology, we are providing our institutional investor clients with regular, robust analysis of their execution costs to support their best execution requirements."

Alex Sedgwick, Head of MarketAxess Research, said: "The advent of FINRA's TRACE reporting combined with greater adoption of electronic trading for fixed-income has allowed us to develop an objective approach to examine trading costs in new and compelling ways. Using this data, MarketAxess Research developed the **REXIQ** methodology – a credible methodology for demonstrable transaction cost analysis, formalizing the value of fixed-income TCA in support of best execution."

An academic paper written by Terrence Hendershott and Ananth Madhavan from the University of California, Berkeley arrives at similar conclusions. The authors note: "We highlight the value of competition among dealers and show that increased (auction) participation sharply reduces costs. To the extent that technology will continue to reduce search costs, these results support the view that even traditional bastions of over-the-counter trading will face strong competition from auction type markets. More practically, the results confirm the value to traders and investors from sourcing liquidity widely and using tools to optimally select a venue. We show that these gains are significant and can materially influence realized investment returns."

For more information on REXIQ, please visit: <http://www.marketaxess.com/trading/reducing-execution-costs.php>

*For more information on the University of California, Berkeley study, please see: Hendershott, Terrence and Madhavan, Ananth, Click or Call? Auction Versus Search in the Over-the-Counter Market (November 17, 2011). Available at SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1961350.

About MarketAxess Research

MarketAxess Research works with institutional buy-side clients to deliver custom research and analysis to better inform their electronic fixed-income trading and execution strategy. Leveraging its wealth of fixed-income experience, MarketAxess Research focuses on many aspects of credit trading including trade cost analysis, fixed-income trading flows, and portfolio pricing and fixed-income exchange-traded fund (ETF) pricing. It has developed a proprietary approach called REXIQ to calculate execution costs by comparing electronically executed trades to prevailing market prices, allowing clients to calculate the portfolio performance improvement due to e-trading.

For more information please see: <http://www.marketaxess.com/data/marketaxess-research.php>

About MarketAxess

MarketAxess operates a leading electronic trading platform that enables investment industry professionals to efficiently trade corporate bonds and other types of fixed-income instruments. MarketAxess' patented trading technology allows institutional investor clients to request competitive, executable bids or offers from multiple broker-dealers simultaneously, and to execute trades with the broker-dealer of their choice. Over 850 institutional investors are active users of the MarketAxess trading platform, accessing the global liquidity provided by MarketAxess' 87 broker-dealer clients in U.S. high-grade corporate bonds, European bonds, high yield and emerging markets bonds, agency bonds, asset-backed and preferred securities and credit default swaps. MarketAxess also offers a number of trading-related products and services, including: market data to assist clients with trading decisions; connectivity solutions that facilitate straight-through processing; technology services to optimize trading environments; and execution services for exchange-traded fund managers and other clients.

MarketAxess maintains its headquarters in New York and has offices in London, Chicago, Salt Lake City, Hong Kong and Singapore. For more information, please visit www.marketaxess.com.

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