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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session (Operator Instructions). As a reminder, this conference is being recorded January 28, 2015.

I would now like to turn the call over to Dave Cresci, Investor Relations Manager at MarketAxess. Please go ahead, sir.

Dave Cresci - *MarketAxess Holdings, Inc. - IR Manager*

Good morning and welcome to the MarketAxess fourth-quarter 2014 conference call. For the call Rick McVey, Chairman and Chief Executive Officer, will review the highlights for the quarter and will provide an update on trends in our businesses. And then Tony DeLise, Chief Financial Officer, will review the financial results.

Before I turn the call over to Rick, let me remind you that today's call may include forward-looking statements. These statements represent the Company's beliefs regarding future events that by their nature are uncertain. Actual results and financial conditions may differ materially from what is indicated in those forward-looking statements. For a discussion of some of the risks and factors that could affect the Company's future results, please see the description of risk factors in our annual report on Form 10-K for the year ended December 31, 2013.

I would also direct you to read the forward-looking statement disclaimer in our quarterly earnings release which was issued earlier this morning and is now my available on our website.

Now let me turn the call over to Rick.

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

Good morning and thank you for joining us to discuss our fourth-quarter and full-year 2014 results. This morning we reported record revenues, pretax income and diluted EPS for the full year and the fourth quarter of 2014. Fourth-quarter revenues were $70 million, up 16% from the previous year. Pretax income was $34 million, up 35% and diluted EPS was $0.57 compared to $0.41 for the prior-year quarter.

Q4 expenses were up just 3% to $37 million. Our record results were driven by a combination of increased market volumes and higher market share that led to record US high grade, high yield and total trading volumes. Our estimated adjusted high grade market share was a record 16.1% in the fourth quarter, up from 13.9% a year ago.

In Europe, we saw continued momentum in euro bond volumes as well as record trading volumes from European clients which were up 73% year-over-year.

Slide four highlights our full-year results and continued strong growth rates. We continued to deliver solid year-over-year growth in trading volumes, transaction revenue, total revenue and EPS.

During the fourth quarter, we saw an acceleration in our growth rates as the market environment improved for secondary trading. Growth was driven by strong market share gains across our core products with high grade estimated share of 0.7% year-over-year. 2014 share gains were concentrated in trade sizes over $1 million and the average trade size on the platform increased.

We had another big jump in buy side participation and cross-selling during 2014. There were 900 institutional clients active on the platform during 2014, up 8% versus 2013. Almost 700 of those institutions now trade at least two products on the platform and over 500 trade three or more products.

Our free cash flow for the year was $95 million and in light of our strong results, our Board of Directors approved a 25% increase in our regular quarterly dividend to $0.20 per share.

Slide five provides an update on market conditions. Secondary credit trading conditions shifted during the fourth quarter due to an increase in credit spread volatility, mutual fund outflows and rising credit spreads. This shift led to a 9% year-over-year increase in trace volumes and increase demand for electronic trading. Corporate debt outstanding increased further during the year fueling demand for new trading solutions to facilitate the transfer of risk in the expanding credit markets.

We were especially gratified that our record results in the fourth quarter came during a period of active new issuance, up 22% from the prior year quarter. For the full year of 2014, secondary trading volumes across most fixed income product areas were weaker due to the low interest rate environment and benign volatility. According to [SIPA], total fixed income secondary volume was down approximately 11% year-over-year with lower volumes in U.S. Treasury, mortgage-backed and municipal bonds and slightly higher volumes in corporate bonds.

Slide six provides an update on open trading. We are seeing continued acceleration of adoption rates for open trading by both dealers and investors. Approximately 7% of US high grade trades on MarketAxess now take place using open trading protocols, up from about 2% at the start of last year. During 2014, approximately 77,000 open trading transactions were completed representing over $38 billion in trading volume. All-to-all increased via market list received over 100,000 additional price responses last year over and above those received through the traditional RFQ. This represents the beginning of a new base of liquidity to address the secondary market challenges in a much larger global credit market.

Over 300 different investor and dealer firms actively responded to market list orders in the fourth quarter alone and over 450 firms benefited from the additional liquidity on our open trading platform during the year. The pie chart on page six demonstrates that open trading on MarketAxess is a true all-to-all marketplace with dealers, investors and alternative market participants all trading in the same liquidity pool.

In 2015, we will continue to roll out additional open trading protocols to address larger trade sizes and less liquid bonds. We will also continue to deepen our technology integration with dealer and investor clients to improve the efficiency in identifying and completing open trading opportunities.

Slide seven provides an update on Europe. During the fourth quarter, we experienced increase momentum with volume up 73% from European clients. Over 80% of client firms that now trade euro bonds also trade US credit products on MarketAxess. Consistent with our expectations, Trax became accretive to earnings in the second half of the year. Trade matching rates were up and we continued to see demand for an expanded set of post-trade services in light of recent European MiFID II regulatory proposals.

Our data business revenues are growing driven by an expanded set of valuable real-time and historical data products to improve transparency and help our clients manage risk. Last week we also announced the expansion of our strategic alliance with BlackRock into Europe building on the success of the original US alliance announced in 2013. The announcement coincided with the launch of open trading for European credit products. We believe that offering increased choice and execution options and access to a broader range of trading counterparties will improve liquidity and reduce transaction costs for European fixed income market participants.

Now I would like to hand the call over to Tony for additional detail on our volumes and financial results.

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

Thank you, Rick. Please turn to slide eight for a summary of our trading volume across product categories.

Our overall global trading volumes were up 23% year-over-year to $211 billion. US high grade volumes were a record $130 billion for the quarter, up 22% from the fourth quarter of 2013. The majority of the high grade volume gain was attributable to the 220 basis point increase in estimated market share.

Volumes in the other credit category were up 49% compared to the fourth quarter of 2013 driven by a 75% increase in investor order flow. We experienced significant gains across all other credit product categories led by record high-yield trading volume and a more than 90% increase in eurobond trading volume. The product mix within the other credit category was similar to the third quarter.

In CDS, average daily trading volume during the fourth quarter was almost $1.2 billion, 70% above the Q3 run rate although short-term revenue opportunities remain modest.

With three trading days remaining in January, average daily trading volume and average daily commission revenue are tracking consistent with the fourth quarter0. Month to date high grade results in January are displaying the typical seasonal patterns with market share below the fourth-quarter level but above January 2014. High-yield market share is tracking similar to the fourth quarter level.

Slide nine displays our quarterly earnings performance. Revenues of $70 million were up 16% from a year ago driven by the record trading volume and commission revenue. Trax revenue was up 10% in local currency year-over-year due to growth in data revenue. The fourth-quarter technology products and services revenue is more representative of the near-term run rate.

Total expenses were $36.7 million, up 3% from the fourth quarter of 2013. The modest increase in expenses coupled with the double-digit revenue growth led to an expansion of operating margin to 48% and EBITDA to almost $38 million.

The effective tax rate was 35.4% for the fourth quarter and 36.9% for full-year 2014. The fourth-quarter effective tax rate reflects the recognition of certain tax credits which were extended and enacted into law in December 2014 amounting to approximately $400,000.

Our diluted EPS was a record $0.57 on a diluted share count of 37.7 million shares. The sequential and year-over-year decline in our diluted count was principally due to share repurchases.

On slide 10, we have laid out our commission revenue, trading volumes and fees per million. Total variable transaction fees were up 28% year-over-year mainly due to the 23% increase in trading volume and favorable product mix. US high grade fees per million of $178 were very similar to the third quarter and down slightly from the prior year. The year-over-year decline in high grade fees per million was due to a shift to larger trade sizes.

Fees per million in the other credit category were $315, again, very similar to the third quarter and down slightly from the year-ago level. The year-over-year decline in fee capture was due to a mix shift within this category with a heavier weighting to eurobond volume. There were no dealer fee plan migrations during the fourth quarter and distribution fees were in line with the third-quarter level. We expect first-quarter 2015 total distribution fees will be similar to the fourth-quarter level.

Slide 11 provides you with the expense detail. Fourth-quarter 2014 expenses were up 3% year-over-year and 2% sequentially. On a sequential basis, all of the expense categories were in line with the third-quarter figures with the exception of compensation and benefits which increased approximately $800,000. This entire increase was attributable to higher variable bonus accrual which is tied directly to operating performance.

The year-over-year increase in compensation and benefits was largely due to a higher variable bonus accrual and higher wages. Employee headcount was 303 at December month end, up from 293 one year ago. The year-over-year change in non-compensation costs was consistent with variations over the past several quarters.

Depreciation and amortization increased as a result of the significant investment in product enhancements and technology over the past several years and professional and consulting fees declined reflecting lower technology consulting spend and lower legal fees.

On slide 12, we provide balance sheet information. Cash and securities available for sale as of December 31 were $234 million compared to $200 million at year-end 2013. Record free cash flow generation of $95 million was more than sufficient to cover the $62 million in dividends and share repurchases and almost $15 million in capital expenditures. There was no change in our capital structure during the fourth quarter. We have no bank debt outstanding and didn't borrow against our revolving credit facility.

On slide 13, we summarized our capital management activities. Our recurring quarterly dividend remains an active part of our capital management priorities. We have now increased the dividend in five consecutive years.

We've also significantly increased our capital expenditures over the past five years. The annual spend surrounding software enhancements to our trading platform and protocols and other organic initiatives has increased fivefold since 2010. We expect these investments to help drive future revenue growth.

During the fourth quarter, we repurchased 192,000 shares at a cost of $12.5 million under our share buyback program. As of December 31, approximately $62 million was available for future repurchases under the program.

We remain focused on capital management and investment in organic initiatives. Through our existing cash position, strong cash flow generation and line of credit borrowing capacity, we have the flexibility to meet our capital management and investment priorities.

On slide 14, we have laid out our 2015 expense capital expenditure and income tax rate guidance. We expect that total 2015 expenses will be in the range of $153 million to $159 million. The midpoint in that range suggests an approximately 8% year-over-year increase in expenses which would be below our five-year compound annual growth rate.

Consistent with 2014 employee compensation and benefits costs are expected to represent a little over 50% of total expenses in 2015. We are targeting headcount to increase somewhere between 5% and 7% over the course of 2015 with most of the increase occurring during the first half of the year. We expect that 2015 capital expenditures will be similar to the 2014 level and will range from $14 million to $17 million.

We will continue to invest in trading platform enhancements and expect around two-thirds of these spend to be in the form of software development. We expect that the effective tax rate for full-year 2015 will be in the range of 36% to 38%. The mix of US and foreign sourced income could cause variations in the effective tax rate.

Now let me turn the call back to Rick for some closing comments.

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

Thanks, Tony. 2014 was a solid year of revenue and earnings growth for MarketAxess in spite of the nine secondary trading conditions for much of the year. Our competitive position continues to get stronger in our core high-grade, high-yield and EM products. Open trading is leading the way with innovative liquidity solutions to restore credit market liquidity. In Europe, growth in trading volumes and the integration of Trax provide the foundation for improved earnings from the region.

Now I would be happy to open the line for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Niamh Alexander, KBW.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Good morning and congratulations for the strong finish to the year. I think you had given us color already on the market share, Tony. So thank you for that. You are kind of saying pretty seasonal but above 1Q which is kind of what we would have expected which is great. Can you talk to me maybe about the competitive market environment? I know we touch on it every quarter but there has been quite of few announcing they are getting in and some of the existing competitors have been re-upping their existing offering. Have you seen any change, heard any change from your competitors?

Apart from the competitive environment, we are hearing a little bit more about for example the regulators wanting to take a look at bond trading not specifically corporate bond trading but bond trading generally. It seems it is more in the retail space but is it something that we should be watching in the institutional space that you are involved in as well? Thanks.

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

Sure. Happy to take that. First on competition, you are absolutely right. Lots of announcements again during 2014 of new initiatives, both with existing market participants and new market participants. As I have said before, it doesn't come as any surprise to us and we have always welcomed competition in this space. We think it keeps us moving and investing which is exactly what we should be doing. There was no change really in the results from what we could tell in the fourth quarter with respect to volume or revenue developments elsewhere. And clearly it is very gratifying to see that we set new records for both share and volume during the fourth quarter at a time where there have been more competitors entering the space.

So we don't think there has been any change there but clearly we need to keep investing and keep moving and developing new solutions for our clients.

On the regulatory front, I would agree with you. What we have seen from the SEC so far relative to the US bond markets tends to be more focused on the retail space and specifically on free trade transparency for riskless trades. So I think that has been the early focus from the SEC. However, I can tell you from our own interactions with the SEC over the last six to nine months they are well aware of the much larger credit market and the growing challenges around secondary market liquidity and are working with all participants in the industry, buy side, sell side and platforms like MarketAxess to make sure that they can be a constructive and thoughtful partner on the regulatory side to develop new solutions to address that challenge.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Okay, that sounds interesting. Maybe we will see something like an advisory committee or something like that coming out of it? It seems like the SEC just has very little resources allocated to the bond market right now so any kind of effort to maybe standardize things could be good for your business. Is that fair?

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

I think that they are increasing the resourcing and focus on the corporate bond markets and they already are gathering industry participants around roundtable discussions on this topic. They did so both in 2013 and more recently in 2014 so yes, I think this is a growing area of interest for the SEC.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Okay, fair enough. Thanks. And then just lastly and I will get back on the line, the market data, we are kind of watching this especially coming out of Europe because that is where I think you get more deeply integrated with your customers as you are in the US. Where are you on the tape like product you are offering and where are you on any regulatory mandate there as well?

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

Sure. We have been working with all of our clients, dealers and investors to develop and release data products that will help them to manage their risk and there are two broad categories of that. One are a series of volume and liquidity measures that we can develop through the Trax reporting data that will help both the buy side and the sell side better understand the liquidity characteristics of various bonds in the European region.

With respect to the regulators, most of this is scheduled to come to a head with respect to the regulatory changes in MiFID II in early 2017. But we continue to see a series of regulatory proposals rolling out including what we saw from ESMA just before the holidays.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Okay, I will get back in line. Thanks.

Operator

Ashley Serrao, Credit Suisse.

Ashley Serrao - *Credit Suisse - Analyst*

Good morning, guys. So on slide six, you show a pie chart of market list liquidity providers. I was curious how has volume from the dealer community in particular fared over the past few quarters? And if you could just bifurcate trends between the regional dealers and the bulge brackets that would be helpful too.

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

I am sorry, Ashley, can you repeat the first part of that question?

Ashley Serrao - *Credit Suisse - Analyst*

Yes, so on slide six I believe, you show a pie chart of the market list liquidity providers and I was just more curious about the dealer segment in that, how the [trends] fared there over the past few months and if there is any difference between the bulge brackets and some of the other regional providers?

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

Sure. Two parts to that. One, open trading has actually started to become an interesting liquidity pool for dealers to move risk as well as investors. So we see dealers participating in open trading both in sending their own inquiries into market lists in order to turn over their balance sheet positions more actively and also responding to trade inquiries that they may not have seen on a disclosed basis in the RFQ.

So we do see dealers on both sides and I think that the comfort level with the open trading solutions is growing in the dealer community.

With respect to price responses, we see a couple of different things. Yes, we do see some of the regional dealers stepping up and providing more prices. We also see ETF market makers many of them within dealer organizations that are getting much more proactive about providing price responses to market list orders so there has been growth on both sides.

Ashley Serrao - *Credit Suisse - Analyst*

Then with respect to your open trading initiative, can you tell us how you are thinking about the capital that you will be setting aside to support this expansion into Europe?

And then a second question just on risk. This quarter we saw a black swan event really hurt all lot of FX agency brokers and since you guys operate a riskless principal initiative I was curious how you think about and even manage the credit risk around that initiative?

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

Tony, do you want to start with the capital question?

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

Yes, so on the capital question, when we look at capital -- and you look at our cash position first, we've got about $234 million in cash and securities and we think about regulatory capital and sort of specific to open trading, there is nothing unique or additive when it comes to the regulatory capital calculation relative to open trading. So we do trade within our broker-dealers in the US and the UK. There is nothing unique or additive about what we are doing around this match principal or riskless principal trading.

We have talked in the past and we are consciously maintaining excess capital in the regulated entities and so we have targeted an excess capital both in the US and in Europe to facilitate open trading. We think it is important to show a healthy balance sheet in that regard. It gets our counterparties comfortable with taking our credit but the amount of excess capital is pretty transparent. If you pull open our focus reports, you would see in the US we are maintaining something like $50 million of excess capital and in Europe, it is around $25 million of excess capital.

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

On counterparty risk, Ashley, an important question and we think we are embracing best practices around both establishing counterparty credit lines and monitoring them. And some key differences here that Tony mentioned. One, the platform is an institutional trading platform and when we look at the riskless principal settlement risk that we carry, approximately 75% to 80% of that risk is with large broker-dealers like CS and very large investment managers. So as you would expect based on our core business, most of the counterparty risk is with very large institutional market participants.

The other thing is we do have a credit committee that Tony and I and others sit on that carefully considers new counterparties of MarketAxess and establishes lines for them based on their own capital and the size of the organization and importantly the products that they are trading and the volatility in those products. So we think even though it is institutional and it is riskless match principal trades where we are exposed to counterparty risk during the three-day settlement period, we think it is very important for us to have a sound counterparty risk management process and we are confident that we are managing that very carefully.

And one other point on that as this part of our business grows, we have made it very clear to all traditional dealers that we are open to them providing this riskless clearing service for their clients and we would expect the take-up on that to grow as the volumes conducted in open trading continue to increase.

Ashley Serrao - *Credit Suisse - Analyst*

Great. Thanks for all of the color there. I will get back in the line.

Operator

Mike Adams, Sandler O'Neill.

Mike Adams - *Sandler O'Neill & Partners - Analyst*

Good morning, gentlemen. Congrats on an impressive quarter. So I would like to follow-up on Ashley's question regarding open trading and specifically your comments that the dealers are finding the open trading to be a new liquidity pool. So could you provide a little bit more color on the composition of that 7%? How much of that is just dealer to dealer?

And then the second part of the question is -- is there any material difference in the average trade size in open trading versus the traditional RFQ?

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

I don't have the exact numbers this morning on transactions initiated by dealers that end up trading with another dealer. We know it is less than half. What is kind of interesting is that there is a growing percentage of dealer to client trades in market lists where dealers are initiating market list orders and it is one of their clients that ends up providing the best price on the other side. This is why everything we see it looks like increasingly it is an all-to-all liquidity pool with both orders being initiated and responses coming back from investors and dealers.

With respect to trade size given that this particular protocol is an extension of our RFQ model, it is not a surprise to us that the average trade size is very similar to what we had been doing previously. So there are not key differences currently in the average trade size for open trading relative to traditional RFQ business.

Having said that, we are working very hard with all of our clients and dealers on continuing to grow the menu of protocols that we have available for open trading. There are far more protocols available on MarketAxess today than our clients are using and we will continue to enhance those protocols and add new ones so that we can address the liquidity challenge in a broader set of issues and in a broader range of trade sizes.

Mike Adams - *Sandler O'Neill & Partners - Analyst*

Got it. Thanks, Rick. To touch on high-yield, it looks like you picked up material market share in the fourth quarter and based on the new disclosures on slide eight, I am calculating around 7.5% share of trace volume, so is that a fair estimate? And really what is driving the pickup? Is it just simply the uptick in credit volatility or are you seeing a fundamental change in the way customers transact?

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

So, Mike, on the first point, yes, you are right. It was around 7.4% or 7.5% for the market share. And we know all of you have been asking for a little more color on what is in that other credit category so we did provide a little break out there on one of the slides.

In terms of what is driving it, that high-yield market has been a little more volatile of late. You see trace volumes for example have been up, were up appreciably almost 22% quarter over quarter so you are seeing a little more volatility there, a little more trade opportunity.

The other piece of it, not only -- and Rick made some comments on the prepared remarks, we have seen an uptick in our overall institutional clients trading and even when we look within the high-yield product itself, we have almost 600 clients now that are trading high yield. That is up more than 10% over 2013. So we are getting to more institutional clients, there is more order flow over the platform. And this one, when you look at the market share dynamics, you know how market share works, it is a function of two items, order flow and hit rate. And in this case what is driving the high-yield market share gains is tremendous increase in order flow.

Mike Adams - *Sandler O'Neill & Partners - Analyst*

Great. Thanks, Tony. Tony, another one for you. To touch on the expense outlook essentially in line with the long-term growth rate, looks like your guidance is up 6% to 10% this year. So can you talk about the conditions that will influence whether you come in at the high end or the low end of the range? Just looking back at 2014 originally, we were talking about $150 million to $157 million in expenses. You came in at $144 million and you still grew revenues by 10%. So I'm just trying to figure out what your internal projections are for maybe topline growth because it seems like maybe we are underestimating what you guys think you can do.

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

Mike, you know what our consistent response on the top line piece of it, we typically don't provide that sort of guidance on share and capture and things of that nature. You are right on the expense side, what we are projecting and you can imagine what our budget looks like. The midpoint of this range is an 8% increase. A betting man would say that is probably where our baseline budget is.

But you are also right that there are some swing factors in there and when 55% of our expenses are employee related -- that is employee headcount, it is benefit, it is the incentive bonus -- when 55% of our expenses are in that bucket that is a big variable. And some of that is tied to operating performance. We do have this variable bonus accrual tied to performance, that is variable. Headcount is a big variable also.

I mentioned in the prepared remarks that what we are projecting is headcount up somewhere between 5% and 7%. We've got a fair number going into 2015. We had a fair number of open positions. These are replacement positions where we did have some attrition. We have upwards of 15 replacement positions open right now. We would like to get those filled.

When we look at that 5% to 7% increase in headcount, 85% of it is in customer facing positions or technologies. We would like to get those positions filled but sometimes it is out of our control a little bit. We want to get the right people sitting in the right seats and that is the swing factor. The swing factor is how quickly can we get the positions filled, what type of attrition will we experience, those are swing factors.

Mike Adams - *Sandler O'Neill & Partners - Analyst*

Okay. Thanks, Tony, and congrats again, guys. I am all set.

Operator

Patrick O'Shaughnessy, Raymond James.

Patrick O'Shaughnessy - *Raymond James & Associates - Analyst*

Good morning, guys. So with the yield curve flattening as much as it has during the quarter, I guess I was a little bit surprised that your high-grade pricing held up as well as it did. As you think about that pricing as we enter into 2015, should we be expecting some compression due to what the yield curve has done or do you think this is kind of a stable level for you guys?

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

You know, that fee capture one is a hard one to answer. We've got so many factors in there, Patrick. You are right, the yield curve does influence trading and that is more around years to maturity and absolute yield. There is other things like trade size and dealer mix and floating rate note fix, all of those things influence fee capture.

What you've seen in the last couple of quarters and even with a flattening of the curve, you see short-term rates going up, long-term rates going down. You have seen that flattening of the curve. The years to maturity in our platform hasn't moved now -- just looking back at the chart here -- it hasn't moved now in four quarters. We have been bubbling right around eight years to maturity. So even with that flattening, it hasn't really influenced trading behavior.

And going forward when yields do rise, it is obviously still open for debate and at least right now you know we are still trading from a years to maturity standpoint, it is still within the post crisis range. We still have even with the flattening, it is still a relatively steep yield curve even with the flattening. And as long as we have got dealers on all variable plans continue to win trades, that is another influence. At least here and I say in the very short-term here and you can include January in those comments in the very short-term, the fee capture has held up.

Patrick O'Shaughnessy - *Raymond James & Associates - Analyst*

Got you. Appreciate that. Shifting gears to competition so -- and this was asked earlier but maybe a different way to ask it is -- a lot of new competitors out there. Are you seeing anything in terms of trading protocols and trading solutions that those new venues are offerings that you guys don't offer and you think maybe this is something we should be looking at ourselves?

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

We spend an awful lot of time thinking about trading protocols around here, Patrick, and importantly we spend a lot of time with our clients. Whether it is individual meetings or roundtables that we have hosted with some of the largest institutional investors and largest dealers, we think we've got a pretty good handle on the ideas around protocols and we think the investment budget here is larger than it is anywhere else with the new competitors in spite of our current leadership position.

So we will as part of the 2015 agenda, continue to enhance and add to those protocols. We continue to work with all of our clients on what they would like to see on the platform. And the short answer is no, we really have not seen anything from the competition yet that hasn't been either discussed or already built here.

Patrick O'Shaughnessy - *Raymond James & Associates - Analyst*

Great, thanks. Last one for me, obviously you guys have seen your share price rise pretty nicely over the last quarter or so. To what extent is your share price going to play a factor in your repurchase sensitivity? Do you get a little bit more cautious with your repurchase activity where your stock is trading here or do you still have the goal you want to offset comp dilution or what is your thought process there at this point?

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

On the capital management or specifically on the repurchase side, it is an ongoing topic internally and topic with our Board and we think we have been thoughtful around that topic and we have made use of buybacks in the past and we do look at things like where our share price is trading. We look at our own projections and our own view on value.

And what you will see from us and what you see right now is that we have been pretty consistent and we have been using the program and we will continue to use the program to offset dilution from employee grants. And Patrick, that is probably sort of irregardless of where the price is now and irregardless of where the price is, we will continue to use that plan to offset dilution from employee equity grants.

And just to put it in perspective, if I was to give you some numbers around that, it is a couple hundred thousand shares per year so that is what we are talking about in terms of dilution.

We also like having the plan in place to be more aggressive if the opportunity arises and if we think that we are trading at a significant discount to our fair value or DCF value, we like having the plan in place. But the exact answer to your question, yes, we are going to have a plan in place. Yes, we are going to continue to maintain or try to maintain that diluted share count outstanding.

Patrick O'Shaughnessy - *Raymond James & Associates - Analyst*

All right. Thanks. Very helpful.

Operator

Michael Wong, Morningstar.

Michael Wong - *Morningstar - Analyst*

So headcount ended 2015 much lower than the 325 and you are aiming at earlier in the year. It seems like the 5% to 7% guidance for headcount growth in 2015 at the low end it would be below the 325 that you were aiming for this year and 7% just right at it. Were there any initiatives that you canceled or have rethought of going into next year that you were thinking of planning for this year?

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

Really not, Michael. When you look at us today, we are a pretty simple company today and pretty simple to understand. We've got some core initiatives that we are focused on including open trading, including a number of initiatives in Europe and that continues to be the focus and that is very consistent with where we were in 2014.

You are right also that what we are targeting or providing guidance to in terms of headcount at the end of 2015 would be similar to what we said last year. What I mentioned before, we had a fair number of positions open and in a perfect world it would be easy to source those positions and those bodies would be in place. I think what you are hearing is we'd like to fill some positions. They are in a customer facing areas and areas of focus. They are in technology positions for initiatives that we have underway. But there wasn't anything that we canceled. We didn't have a new product launch on the drawing board that we decided not to go forward with. So it was just quite honestly merely the fact that we couldn't get the positions filled.

So I wouldn't look too much into that in terms of what we were targeting end of 2014 and what we are targeting at the end of 2015 and sort of the disparity there or common numbers there.

Michael Wong - *Morningstar - Analyst*

And you mentioned a little bit of an employee attrition and kind of difficulty in filling positions. Does this have anything to do with let's say the hiring environment or let's say the increase in competitors in your space?

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

I don't think there's anything there, Michael. When I mentioned a little bit of attrition, we are talking about a handful of people, nothing in any sort of broad swath of departures. And I can't say that any of those departures were sort of competitive driven.

Listen, look at our senior management team that we have here in the states and in Europe now, none of it has come at the senior positions.

Michael Wong - *Morningstar - Analyst*

Okay, sounds great. Can you just comment on any effect of a flight to safety or maybe just a way from unusual events like oil or FX had on your business in the quarter or quarter to date such as either trading of your European clients or high-yield?

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

Sure. If you look at the fourth quarter, it is very similar to what we have seen over the last three years or so when volatility of credit spreads picks up and the focus shifts to secondary trading, that tends to be very good for our market share. I think it really comes back to the fact that the credit markets are a lot bigger today than they were five years ago. Corporate bond debt outstanding in the US is up about 70% and when volatility picks up and especially when mutual funds have outflows and bonds need to move, investors need new liquidity outlets and solutions. And we think that is our primary focus is delivering those solutions and the fourth quarter is an example that when we get those kind of market environments, it is very healthy for our share which ultimately is what drives our revenue and earnings growth.

Michael Wong - *Morningstar - Analyst*

Okay, thank you.

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

Michael, just one thing to add on FX. You have seen some movement here in the last two or three or four months. And in particular for us, the one that we see on is the dollar versus the pound sterling and in the fourth quarter the dollar appreciated considerably and as good as the fourth-quarter topline revenue numbers were, we were probably hit around $500,000 or so. We do have sterling denominated revenue at the top line revenue number.

If the FX rate didn't change, if it was similar to the third quarter, revenues would have been $0.5 million higher. So we are impacted by the change in FX and even when we look at 2015 and I think now about how I responded earlier on some of the swing factors. One swing factor that we should keep in mind is we do have a base of expenses something like 30 million sterling -- which are denominated in sterling and to the extent that there is a change in the FX rate, you could see some swings in our dollar reported figures. If it is something significant, we will obviously comment on those in the upcoming quarters.

Michael Wong - *Morningstar - Analyst*

Thank you for the clarity on that.

Operator

Ashley Serrao, Credit Suisse.

Ashley Serrao - *Credit Suisse - Analyst*

Tony, just wanted to follow-up on the comment you made around FX. Just when we think about it on a net basis, revenues and expenses altogether on a net basis, does it hurt you versus the sterling or help you when you consider everything running these expenses together?

Tony DeLise - *MarketAxess Holdings, Inc. - CFO*

When we consider everything and this is sort of a part of the improving profit picture in Europe, with a strengthening dollar, it hurts us. Now sort of to put it in perspective, if we have 30 million sterling in expenses and the FX rate goes from for example 1.5 or 1 spot 5 where it is today to 1 spot 4, that is the strengthening of the dollar, that would reduce expenses by about $3 million. It would reduce revenue by something more than that.

We give some details around our US versus foreign sourcing in the 10-K. For example in 2014, it was something like $6 million of foreign sourcing. So it is not a big number today but it is a bigger piece of our business and we could have some influence here around FX. We haven't talked about that historically but as Europe grows, there is some sensitivity there.

Ashley Serrao - *Credit Suisse - Analyst*

Okay. My other question was and it has been touch on a little bit but our channel checks indicate that all the rivals that have launched over the past two years, no one is really getting any traction. So I was just curious about how you guys are thinking about pricing either potentially raising it or maybe even raising volume tiers just given what looks like increasingly solid moat around your franchise?

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

We have had a very stable pricing plan for many years, Ashley. We don't anticipate any significant changes to that. What we want to do is make sure we are delivering more value for money in 2015 to our clients. And I think the way that we are going to do that is to continue to develop great trading solutions for dealers, investors that help to address liquidity challenges, deliver great data products that help people to better manage their risk, and invest in post-trade services primarily through Trax to help the European clients deal with regulatory changes.

So that is our focus is on investing in those key areas for our clients but at this time we don't anticipate any significant pricing changes in 2015.

Operator

This concludes our Q&A session. I would like to hand the call back to Rick McVey for closing remarks.

Rick McVey - *MarketAxess Holdings, Inc. - Chairman and CEO*

Thank you for joining us this morning and we look forward to talking with you again next quarter.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone have a great day.