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PRESENTATION

Operator

Good day 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 call is being recorded July 22, 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 second-quarter 2015 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. The Company's 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 view the description of risk factors in our annual report on Form 10-K for the year ended December 31, 2014. I would also direct you to read the forward-looking disclaimer in our quarterly earnings release which was issued earlier this morning and is now available on our website.

Now let me turn the call over to Rick.

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

Good morning and thank you for joining us to discuss our second-quarter 2015 results. This morning, we reported strong results for the second quarter on the back of record volumes across our core products -- US high-grade, high-yield and emerging market bonds.

Total trading volumes were a record $245 billion, up 32% compared to the second quarter of last year. Continued strong momentum in market share gains drove our record volumes with estimated adjusted US high-grade market share up 3 percentage points year-over-year. This was the third consecutive quarter that we achieved year-over-year estimated share gains in US high-grade of more than 2 percentage points. This increase in volumes and share drove our robust year-over-year revenue growth of 16% to $76 million.

Pretax income was $37 million, up 28% compared to last year, and EPS was $0.64, up from $0.48.

Volumes from European clients were up 44%. The number of active European clients continues to grow and was up 26% from a year ago. We continue to develop unique data products and post-rate solutions in the region to help our dealer and investor clients prepare for their new and extensive regulatory obligations under MiFID II. Open trading adoption rates continued at a healthy pace during the quarter with record open trading participation and trading volumes.

Slide 4 provides an update on market conditions. Credit spreads and credit spread volatility remain above year-ago levels. Combined US high-grade and high-yield market volumes were up 6% year-over-year, but down slightly from Q1.

New issuance remained at close to record levels with $328 billion in US high-grade issue during the quarter. US high-grade and high-yield debt outstanding is now close to $8 trillion.

The boom in corporate bond issuance over the last five years has led to a significant increase in the number of corporate bond issuers and the number of corporate bonds outstanding. This has caused the market to become more fragmented with more issues trading each month and less concentration of volume in the most actively traded 1,000 corporate bonds. The increased fragmentation in the market, combined with increased bank regulations, places further strain on secondary market liquidity. US high-grade and high-yield market volumes in July are off to a weaker start compared to the second quarter of 2015, but are in line with July 2014 levels.

Slide 5 provides an update on open trading. We are very pleased with the continued growth in open trading participation this quarter. Completed open trading transactions more than doubled year-over-year to 38,000, and open trading volume was $21 billion, up 153%, compared to the second quarter of 2014.

375 different firms provided open trading liquidity during the quarter, up from 260 a year ago, with liquidity being provided by a diverse group of firms. 41% of marketless trades were won by traditional long-only asset managers, 35% by dealers, and 24% by alternative liquidity providers such as ETF market makers and hedge funds.

Among our most active buy-side clients, approximately 30% are regularly acting as price makers on the platform with many more working on adapting their internal trading process to enable more proactive engagement with open trading. According to a recent investor survey by Woodbine Associates, 60% of respondents plan to increase their use of MarketAxess open trading and 60% plan to break up block trades into multiple smaller transactions. Over 500 firms benefited from this new liquidity by completing an open trading transaction, representing over half of our active system participants during the quarter.

For the second quarter, open trading represented approximately 10% of our US trading activity, up from 5% during the second quarter of 2014. The increased efficiency and access to our extensive all-to-all trading network continued to generate significant cost savings for participants of an average 3 basis points in yield, or about $1,800 per million traded in US high-grade. We continue to invest heavily to enhance our open trading protocols to provide our clients with a broad range of trading options for all trade sizes and we believe that there is significant runway ahead for open trading adoption.

Slide 6 provides insights into our US high-grade market share gains. We saw increased momentum in our market share gains during the quarter. Our analysis shows a positive correlation over time between credit spread volatility and growth in our market share. Greater volatility in the market was one of the drivers of our record share.

Share growth has been consistent across all trade sizes and we are especially encouraged by our growing share of block trading. During the second quarter, 72% of volume traded on MarketAxess was in trade sizes of over $1 million, and 20% of volume on the platform was over $5 million in size. Our block trade count increased 35% from the second quarter of last year. Increased regulatory obligations, including compliance requirements under the Volcker Rule that came into effect this year, are putting further pressure on secondary market liquidity, particularly for larger trade sizes. According to FINRA, in 2009, trades greater than $25 million in size made up 23% of TRACE volumes, and so far in 2015, trades of this size make up only 14% of TRACE volumes. This suggests that investors are increasingly breaking up large blocks into smaller trades. Client inquiry count on the platform was up 34% year-over-year, demonstrating growing engagement as investors seek to utilize our all-to-all marketplace to access new sources of global liquidity.

Now I would like to turn 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 7 for a summary of our trading volume across product categories. Our overall global trading volumes were up 32% year-over-year to $245 billion. US high-grade volumes were a record $149 billion for the quarter, up 28% from the second quarter of 2014. The majority of the high-grade volume gain was attributable to an increase in estimated market share.

Volumes in the other credit category were up 42% compared to the second quarter of 2014, driven by an over 50% increase in order flow. We registered record trading volumes for high-yield and emerging market bonds and continued substantial growth in euro bond trading volumes. Trax and TRACE data indicate that overall emerging markets and euro bond market volumes declined by 15% or more while high-yield market volume was up approximately 6% year-over-year. This means that market share gains more than offset the overall market volume challenges.

Slide 8 displays our quarterly earnings performance. Revenues of $75.5 million were up 16% from a year ago, driven by the estimated market share gains and resulting growth in commission revenue.

For the second consecutive quarter, the stronger dollar dampened revenue growth by approximately $900,000. Excluding the impact of foreign currency changes, information of post-trade service revenue, the majority of which is derived from our Trax business, was up 3%. The drop in technology products and services revenue reflects the wind down of a professional services engagement. Prospectively, we expect this revenue line item to taper modestly from the second-quarter level.

Total expenses were $38.4 million, up 7% from the second quarter of 2014. Absent the impact of the stronger dollar, the expense increase was approximately 10% year-over-year.

Operating margin expanded more than 400 basis points year-over-year to 49%.

The effective tax rate was 34.6% for the second quarter and 35.4% on a year-to-date basis. The year-to-date effective tax rate is running approximately 150 basis points below the 2014 level and reflects an income shift to lower tax rate jurisdictions and a reduction in certain statutory foreign and state tax rates. We are updating our full-year 2015 guidance range and now expect the effective tax rate will between 35% and 36.5%.

Our diluted EPS was $0.64 on a diluted share count of 37.6 million shares. The year-over-year decline in our diluted share count was principally due to share repurchases.

On Slide 9 we have laid out our commission revenue, trading volumes and fee per million. Total variable transaction fees were up 32% year-over-year, consistent with the growth in trading volume. Our US high-grade fee capture is influenced by a number of factors, including the duration of bonds traded on the platform. On a sequential basis, lower duration on slightly higher yields and slightly lower average years to maturity accounted for the $8 decline in the US high-grade fees per million.

The sequential uptick in the other credit category fees per million was principally due to a mix shift within this category with the heavier weighting in the current period to high-yield bonds and lower weighting to euro bonds. Distribution fees were consistent with the first-quarter level.

Slide 10 provides you with the expense detail. Total second-quarter expenses were consistent with the first-quarter level. At a more granular level, the decline in compensation and benefits was largely attributable to seasonally higher first-quarter employment taxes and benefits of $800,000 offset by an increase in wages on some headcount expansion. The sequential marketing expense increase reflects greater spend on advertising campaigns, customer events, and sales activities.

On a year-over-year basis, the 12% growth in compensation and benefits was due to a combination of higher variable bonus accrual, which is tied to record operating performance, and higher equity-based compensation. 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 technologies over the past several years. Professional consulting fees declined on lower IT consulting costs, and G&A expenses increased mainly due to higher clearing costs. We still expect full-year 2015 expenses will be within our expense guidance range.

On Slide 11, we provide balance sheet information. Cash and securities available for sale as of June 30 were $237 million and trailing 12 months free cash flow reached $100 million. During the second quarter, we paid a quarterly cash dividend of $7.5 million and repurchased 63,000 shares at a cost of $5.5 million under our share buyback program. As of June 30, approximately $48 million was available for future repurchases under the program. Our board has approved a $0.20 regular quarterly dividend payable on August 20 to record holders on August 6. There was no change in our capital structure during the second quarter, we have no bank debt outstanding, and did not borrow against our revolving credit facility.

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

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

Thanks Tony. We are encouraged by the trends evident in our business during the second quarter. Investors and dealers are using MarketAxess for a growing proportion of their secondary trading needs. New open trading solutions are providing a much-needed expansion of the secondary liquidity pool. We see many opportunities ahead in this new regulatory environment to serve our clients with innovative technology solutions for pre-trade data, trade execution and post-trade reporting and matching.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Kyle Voigt, KBW.

Kyle Voigt - *Keefe, Bruyette & Woods, Inc. - Analyst*

Hi. Thanks for taking my questions. I guess touching on the noncommissioned revenue, on the technology line, sorry, I heard you say that you expect revenue to taper from here. But I missed exactly what the decrease was caused by. And then just on the information and post-trade revenue line, I know you said there are some FX headwinds in the release, so I was just wondering if you happen to have the organic growth rate on a constant currency basis.

Tony DeLise - *MarketAxess Holdings Inc. - CFO*

Two questions there on tech services and then information and post-trade. The first one on tech services, that revenue line item, it was a combination of professional services where we were project managing for companies in our space. There are some software licensing and maintenance and support all within the tech services line item. It is not a big piece of our revenue plan, and today really not a core emphasis or core area of emphasis for us.

We did have one, as I mentioned in the prepared remarks, one engagement that did wind down in the second quarter. We were using, on that one, we were using contractors to deliver much of that engagement. That's one of the reasons you see the decline in professional and consulting fees. And prospectively, I mentioned the word "taper". That line item will be somewhere around $500,000 per quarter in the near term. Quite frankly, we are probably going to bury that line item within other income going forward. It's just not a big area of emphasis.

And Kyle, one more thing to note on that. This was not a high margin product or business for us. Even with the decline, it didn't have a material impact on our earnings. We need to see where our focus is. All of our focus today is on our core opportunity in credit-rating right now. So that handles the tech services piece.

You did ask about information and post-trading. If you are thinking about the year-over-year, the year-over-year gains, it was, excluding foreign currency, was up about 3% year-over-year. But when you take a deeper dive on that one, we have two areas within information and post-trade. About 40% of our revenue is post-trade reporting and matching. That is very much tied to the market volumes. About 60% today is in data products. And when you look at year-over-year adjusting for foreign currency, it's up about 3%. That doesn't tell the whole story because when we look at data revenue in local currency or excluding the impact of foreign currency, data revenue was up about 17% year-over-year. Much of that was from our Trax business where we are delivering new data products, market and liquidity products.

Where we saw the decline in information in post-trade was in post-trade services, again tied to market volumes. When you look at overall Eurobond and equity market volumes in that region, it was down year-over-year. So it masked a little bit the improvement in data revenues, masked a little bit by the decline in post-trade volumes.

Kyle Voigt - *Keefe, Bruyette & Woods, Inc. - Analyst*

Thanks, Tony, that's really helpful. And then just a follow-up on the post-trade line, I guess on the Axess All product in Europe, I guess, last quarter, you had mentioned that you would potentially reevaluate the pricing of the product in the coming months. So I'm just wondering if there's any update there with respect to either charging for the product or having plans to do so?

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

No real change. We are seeing growing adoption of the Axess All real-time trade tape by both dealers and investors. It has some plans in the coming quarter to deliver that through APIs, which will make it even more efficient for our clients.

We do see consistent and growing demand for all of our volume products, which makes sense as dealers are trying to determine on a more quantitative basis the likely demand for bonds that they may be making markets in, and clients are trying to better measure liquidity in their portfolios. So we are seeing very good growth around the volume products within the Trax data.

Kyle Voigt - *Keefe, Bruyette & Woods, Inc. - Analyst*

Thanks. Just last one for me and I'll get back in line. Just on capital, you currently have $237 million in cash on the balance sheet and that typically builds in the back half of the year. I know you previously said that you want to keep excess cash in the balance sheet just to facilitate open trading. I guess the first question is what level do you feel that you have enough cash to adequately support open trading if you are not there already? And then if you did have enough additional cash above that level at year-end, what would be the preferred means to return that cash to shareholders? Thanks.

Tony DeLise - *MarketAxess Holdings Inc. - CFO*

On capital management and on the cash, the first part of your question in support of open trading, we do feel like we have adequate capital today to support what we are doing in open trading. Just as a reminder, what we're doing in open trading doesn't affect the regulatory capital, but we are consciously holding excess capital in our regulated businesses to support the open trading initiative. And we are comfortable with that cash position today. Given the level of activity, we do think having a healthy capital position gets clients or counterparties comfortable with taking our credit. So in terms of the amount of cash, we do believe we have enough to support our business.

Right now, part of capital management is also dividends and buybacks where we are active on that front. We are. We have an active dividend program in place. We have been consistently paying out about a third of our free cash flow in earnings. We are increasing that dividend as free cash flow and earnings increase. It's a topic with the board every quarter on the level of that dividend, and right now, we obviously have more flexibility with that cash position growing, but right now we are staying the course on the dividend side.

And I'll tell you, on the repurchase side, it's the same story where we have a repurchase plan in place. It's serving the purpose of offsetting dilution from our employee equity grants. We are staying the course right now with that dividend program. We obviously have more flexibility. It's an ongoing topic with the board and, again, staying the course for the time being with that repurchase plan.

Kyle Voigt - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay, thanks.

Operator

Hugh Miller, Macquarie.

Hugh Miller - *Macquarie Research - Analyst*

Good morning. Thanks for taking my questions. I just had a question or two on the high-yield topic. It looks like, from the data you guys presented us, with that you guys saw a nice increase in high-yield volumes quarter-over-quarter, up maybe 4% or 5%. I was wondering if you could give us a sense of kind of how that trended throughout the quarter. As we look at some of the industry data, it looks like industry data started to soften a bit during the quarter. If you could give us some color there.

Tony DeLise - *MarketAxess Holdings Inc. - CFO*

Yes. On the high-yield side, it did taper off, as you pointed out, throughout the quarter. When we look at some volatility statistics, it looks like volatility had ticked down during the quarter.

Quite frankly, what we are seeing in July, we are seeing high-yield volumes down; high-yield trade volume is down for the second-quarter level. It's not down appreciably and it is up compared to July of 2014. If we look at volatility, there is some impact there, but a nondepreciable year-over-year change, at least what we are seeing so far in July.

Hugh Miller - *Macquarie Research - Analyst*

Okay. And as we take a look at the kind of the US high-grade fee capture, I know you guys mentioned that duration was down during the quarter. I guess it's a period where we saw the yield curve steepen. Were you guys kind of surprised at how things traded, just given that typically you would anticipate the steepening of the yield curve would probably cause investors to go a bit longer to your benefit there? And is there anything you're seeing right now with duration that's solid into July?

Tony DeLise - *MarketAxess Holdings Inc. - CFO*

There's really nothing to speak of. There may have been a slight, a slight steepening of the yield curve. That doesn't always necessarily show up immediately and directly in client trading behavior. That changed sequentially, the $8 per million change. I mentioned that it was a slight increase in yields and a slight decline in years to maturity. Those years to maturity are still within the post-crisis range of bonds that have traded at our platform. It was still close to eight years, so not a big change there.

Hugh Miller - *Macquarie Research - Analyst*

Okay. And then on the Eurobond activity, obviously you've seen a meaningful increase year-over-year in part because of some of the share gains you guys have enjoyed. It did look like that it was down on a quarter-over-quarter basis, where we were seeing kind of a softening in activity for Eurobond for the industry. But I was wondering. Can you talk about what you're seeing out of the competitors as you guys have made changes to the platform? Are you seeing reaction from your competitors and are you seeing kind of any differences in trading activity as a result of some their changes?

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

Not really. And we are pleased with the results that we had in the second quarter. There was a modest shift in the product mix traded by European clients on the MarketAxess system. But the 44% volume gains year-over-year feels like very good progress to us. And the number of clients that are engaged in using this system each month and each quarter continues to grow. So it really feels like we are on the right track.

With respect to competition, we haven't seen anything terribly new from the incumbents. There are plenty of new platforms in Europe, as you're aware, just like we see in the US. But we are not really aware of any of those new platforms gaining any significant traction.

Hugh Miller - *Macquarie Research - Analyst*

Okay, that's helpful. Thank you.

Operator

Ashley Serrao, Credit Suisse.

Ashley Serrao - *Credit Suisse - Analyst*

Good morning. Rick, I just want to get a sense if there is a noticeable difference in the geographic adoption of open trading when you look at your European US clients. And also what does the pipeline of new liquidity providers look like?

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

Sure. It's hard to tell really because we are in such early days of open trading in Europe. We are seeing growing adoption from European clients that trade US high-grade high-yield and emerging market products which looks consistent with the patterns that we've seen in the US.

With respect to Eurobond, it's very early days because we just really launched open trading about three months ago and more clients are documenting with MarketAxess each week in order to be able to utilize those tools. The anecdotal feedback we are getting is very positive because you've heard me say in the past that liquidity is even more challenged in Europe than it is in the US. But it's difficult to make a comparison directly, given the early stages that we are in in Europe.

Ashley Serrao - *Credit Suisse - Analyst*

Okay. Then on the stress test, what do you think that they could potentially do to accelerate market structure changes, and what are you hearing from both your clients and regulators here?

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

When you say clients, Ashley, do you mean investment managers or are you talking about dealers?

Ashley Serrao - *Credit Suisse - Analyst*

Yes, investment managers more specifically.

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

We are hearing consistently from the large investors that they are meeting more regularly with regulators to talk about liquidity stress testing within their portfolios. And basically what the regulators are trying to better understand is whether investment managers have sufficient liquidity in their portfolios to meet various redemption scenarios.

Our sense is this is very early stages. I think it's a great sign that the regulators are spending so much time with industry participants to better understand those trends. And we see investment managers taking a variety of steps to be prepared for any redemption scenarios from adding liquidity to their portfolios, to using electronic trading to a greater extent, which is clearly reflected in our market share gains. There are signs that they are using ETFs more actively as a liquidity tool in their portfolios, setting up backstop lines. So there are a variety of steps that we know investment managers are taking to make sure that they do have sufficient liquidity in their portfolios to meet potential redemptions.

Ashley Serrao - *Credit Suisse - Analyst*

Okay. And then on the increase in block trading, it's picked up nicely over the past few quarters. I just wanted to get some color here on what is driving the uptick and also whether you're seeing any client to client blocks being transacted here, or is it still mainly the dealers driving the bus?

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

It's a little bit of both. We are seeing block trades crossing not necessarily client to client, but crossing and open-trading nontraditional liquidity providers. And we are seeing more electronic inquiry from investors in block trade sizes that are going to the dealers. And quite honestly, we consistently see that the price responses are even better and broader in block trade inquiries than what we see in round lots or odd lots. So it would certainly appear to us that the liquidity advantage and the reduction in transaction costs is equally relevant for clients trading on blocks on MarketAxess as it is for smaller trade sizes.

Ashley Serrao - *Credit Suisse - Analyst*

Okay, thanks for taking my questions.

Operator

Mike Adams, Sandler O'Neill.

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

Good morning guys. Congrats on a strong 2Q. Following up on the block question, what is the market share that you have right now of block size trades? And what does that trend look like, if you could just do the math for us?

Tony DeLise - *MarketAxess Holdings Inc. - CFO*

Right now, on the block trading, and this is where we are defining it as over $5 million in trade size, it's right around 8% or so. And I caution you because we have this continuing reporting around 144A and non-144A. But if you look at the way we have traditionally been reporting share, it's around 8%. It is growing consistent with the growth in market share across our other size buckets, which Rick mentioned in the prepared remarks. And I'm just opening up a sheet right now. If you look back over the past four years, block trading market share has more than doubled over the past four years. There's been a consistent growth in block trading. We're doing better there. We think we have protocols to address trading in larger trade sizes. It's a bigger piece of what we're doing today.

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

I mentioned in my prepared remarks, Mike, that block trade year-over-year trade count was up about 35%. So we are gaining share at a slightly faster pace in blocks than what you see overall in high-rate.

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

Got it, great. Thanks guys. And the last one for me, I just wanted to talk about some of the liquidity concerns in the market. There were some reports that, back in June, FINRA had hosted a meeting with credit traders to discuss delays to TRACE trade reporting for block size trades. So I mean, if you have any insight, do you mind commenting on the meeting and maybe the likelihood of such a delay being implemented? And then second, what would this mean for MarketAxess? Because I know you guys have talked about TRACE being a -- helping grow your business.

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

Sure. I think that the consistent theme, whether you're talking to large dealers or large investors is that they believe that some delay of reporting of the largest blocks would be helpful in secondary liquidity for large block trades. I have voiced support for that. If you look at trade sizes over $10 million in high-grade corporate bonds, the transactions are only about 300 trades per day or about 1% of TRACE trades. And if it would help the market with secondary liquidity to have some delay to allow market participants to manage their risk on those very large trades, I think that would be a positive step for the industry. It doesn't really sacrifice the positive steps that have been made in transparency in the US markets by FINRA through TRACE because 99% of the trades would still presumably be reported in real-time.

Quite honestly, the theme was consistent, as I mentioned, between dealers and investors, but as you would expect, the regulators have plenty of questions about how that would impact market knowledge of what's taking place through the day, volume in various securities, pricing in securities, end-of-day closing prices, etc. So, I don't think that there will be any quick changes on this, but it's one of the topics being discussed in terms of how the regulators may be able to contribute to better secondary market liquidity.

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

Got it. Thank you Rick. That's it for me.

Operator

Patrick O'Shaughnessy, Raymond James.

Patrick O'Shaughnessy - *Raymond James & Associates, Inc. - Analyst*

Good morning guys. So, this morning, I saw a news article that said that Bondcube, one of the start-up competitors in the space, just shut down basically. They weren't getting any traction and they weren't getting enough funding to keep going. So that suggests -- and I think it's consistent with your commentary that a lot of these new startups are really struggling to get traction. But I'd just be curious to get your take. When you're having dialogues with your customers, what is their tone in terms of all these new competitors kind of knocking on their doors and trying to get them to try out their platforms?

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

I think the institutional market is struggling with bandwidth. There are so many new entrants trying to get client adoption and just in the early stages of even signing up clients that I think both investors and dealers are struggling with the bandwidth to embrace many if any of the new platforms. And as I've mentioned in the past, it's not an easy decision. I think people have to assess the liquidity benefits of any platform but then they have to work through legal agreements. They have to think about the clearing on the platform. They have to go through technology due diligence. They have to ultimately get you to their trade capture system or their OMS connected to the platform. So this is not a quick decision, and as a result, those platforms that have no trading activity and limited connectivity today I think are having the hardest time with that adoption given the number of new entrants in the market.

Patrick O'Shaughnessy - *Raymond James & Associates, Inc. - Analyst*

Got you, thanks. Next, on Europe, so you guys have kind of been disruptive to the status quo in Europe in opening up the platform to more than just three or four dealers. And you've obviously had a lot of success with that. How easy is it for your big competitors, and by that I mean Tradeweb and Bloomberg, how easily can they replicate what you have done in terms of market structure? Because obviously they've seen your success that's probably just the way to market is heading.

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

I think it's difficult for us to comment on what their strategy might be. From a technology standpoint, it's relatively straightforward should they choose to increase the number of dealers that investors can access on any electronic inquiry. The far more difficult piece, in my opinion, is moving toward open trading or all-to-all, which is something that we have been investing in for many years and continue to invest in heavily every quarter. So it's simply a change around the number of dealers. It is fairly straightforward, but the next step is undoubtedly a bigger one.

Patrick O'Shaughnessy - *Raymond James & Associates, Inc. - Analyst*

Got it. Thanks. I guess recently, there's been a pretty high-profile debate about the impact of bond ETFs on market liquidity and what happens in a rising rate environment. And I think Carl Icahn made some very public statements about that last week. Do you kind of have a take on that subject? Do you think that the growth of ETFs and fixed income has contributed to some of the liquidity issues that people are worried about?

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

I actually think the growth in ETFs has been a positive for market liquidity. It's a standardized form of being able to trade a basket or index of bonds can be traded either in shares or the APs and dealers are trading the underlying assets. So we see it as a positive contributor. The ETF business continues to take in inflows at a very healthy clip. So the assets are growing. And I think the only way that changes is if there's a material increase in interest rates or default rates that are far in excess of what we have absorbed over the last three or four years, neither one of which seems all that likely in the near term.

And we see open trading as a piece of the very positive evolution of ETF secondary market liquidity. You see the APs active in our open order book every day, so they have more bonds and more trade opportunities to manage their -- our business and provide liquidity that's critical to the functioning of the ATF market than they ever have before. So we see this as a real positive. It's certainly becoming a bigger and bigger part of what we see on the trading system and also in open trading.

Patrick O'Shaughnessy - *Raymond James & Associates, Inc. - Analyst*

Got it. And then lastly for me, so you talked about how the sequential increase in other credit fee capture per million was a function of mix shift. But within the individual lines, high-yield, emerging markets and corporate euro bonds, how is the pricing for those product trended over the last year or so?

Tony DeLise - *MarketAxess Holdings Inc. - CFO*

The only -- so that other credit category, it is dependent on the mix shift within those three products. And you're right. There are some dynamics, even among the products themselves. I'd say the only one that has been noticeable has been in emerging markets where our volume is a combination of emerging market sovereign bonds and emerging market corporate bonds. And what we've seen over the past year has been a shift towards sovereign bonds. So a heavier weighting to sovereign bonds. For us, that means the fee capture is lower on sovereign bonds versus corporate bonds. So we have seen a decline in that particular product. We have seen a decline of somewhere around 10% in the fee capture on that particular product. Again, that's all to do with mix within it, not just that we've changed the pricing plan.

Patrick O'Shaughnessy - *Raymond James & Associates, Inc. - Analyst*

Got it. Very helpful. Thank you guys.

Operator

(Operator Instructions). Michael Wong, Morningstar.

Michael Wong - *Morningstar - Analyst*

Now that open trading has grown nicely, do you have any revenue number to attach to all of your open trading volume?

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

We don't break it out specifically with open trading, but we've said in the past that the fee capture for open trades is similar to the fee capture for traditional clients and dealer trading. And as I said this morning, it represents roughly 10% of our activity in the US products currently.

Patrick O'Shaughnessy - *Raymond James & Associates, Inc. - Analyst*

Okay. And for open trading, how much trading would you say, or trading volume that's now occurring on open trading is truly incremental to the platform versus just a change in execution, let's say, on your form?

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

I think it represents almost entirely incremental liquidity on the platform, which is one of the factors that I am convinced is driving our order flow and our market share up at a faster pace. These are nontraditional counterparties that are meeting in the open trading order book. And when two parties can find a natural match in the open order book, it's driving really important transaction cost savings to both parties. So this is incremental liquidity. It's new counterparties. It's adding to the secondary market ecosystem. And the best news in my opinion is that we are still in very early innings. As I mentioned, the participation rates are growing, but we still see about 30% of our traditional asset management clients that are actively participating in open trading but most of the rest are telling us that they are doing the work so that in future quarters they too can take advantage of the trading opportunities within the open order book.

Patrick O'Shaughnessy - *Raymond James & Associates, Inc. - Analyst*

Okay. Thank you for taking my questions.

Operator

I am showing no further questions. I would now like to turn the call back to Rick McVey for any further remarks.

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

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

Operator

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