

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065254901**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: MarketAxess Corporation (Respondent)
Member Firm
CRD No. 44542

Pursuant to FINRA Rule 9216, Respondent MarketAxess Corporation submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

MarketAxess has been a FINRA member since May 1998, and a Municipal Securities Rulemaking Board (MSRB) registrant since 2010. The firm has one office, located in New York, New York, and has approximately 155 registered representatives. The firm operates fixed income electronic trading platforms.¹

OVERVIEW

From November 2008 to September 2020, MarketAxess violated NASD Rules 6230(c)(8) and 2110 and FINRA Rules 6730(a), 6730(c)(8), and 2010 by reporting inaccurate execution times to the Trade Reporting and Compliance Engine (TRACE) on approximately 53,000 transactions and, from 2013 to 2020, reporting 399 of these transactions late.

From April 2016 to May 2023, MarketAxess violated MSRB Rule G-14 by reporting inaccurate times of trade for approximately 57,000 municipal security transactions to the MSRB Real-time Transaction Reporting System (RTRS) and reporting 123 of these transactions late.

¹ For more information about the firm, visit BrokerCheck® at www.finra.org/brokercheck.

From November 2008 to January 2022, MarketAxess violated NASD Rules 3010 and 2110 and FINRA Rules 3110 and 2010 and, from April 2016 to January 2022, MSRB Rule G-27, by failing to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with TRACE and MSRB RTRS reporting obligations.

For these violations, MarketAxess is fined \$180,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA Rule 4530 disclosure by the firm and two FINRA cycle examinations of the firm.

MarketAxess made inaccurate and untimely reports to TRACE.

FINRA Rule 6730 and its predecessor, NASD Rule 6230, set out the requirements that apply to firms when reporting transactions in TRACE-eligible securities. TRACE facilitates the mandatory reporting of over-the-counter transactions in eligible fixed income securities and provides increased price transparency to market participants and investors. Untimely trade reporting of disseminated trades directly impacts investors and other market participants by depriving them of meaningful information necessary to make trading and valuation decisions. Inaccurate information affects the audit trail and can result in either false alerts or the inability to detect problematic transactions. Although Treasury TRACE information reported prior to March 25, 2024 was not disseminated publicly, a firm's failure to report accurate information to TRACE affects the audit trail and regulatory surveillance patterns.

Under FINRA Rule 6730(c)(8) and its predecessor, NASD Rule 6230(c)(8), each TRACE report must contain the time of execution for each reportable transaction.²

FINRA Rule 6730(a) requires member firms that are a party to a transaction in a TRACE-eligible security to report the transaction to TRACE as soon as practicable, but no later than within 15 minutes of the time of execution, except as otherwise provided in the rule. Transactions not reported within the specified timeframe will be designated as late.

FINRA Rule 6730(a) further provides that members have an ongoing obligation to report transaction information promptly, accurately, and completely.³

² FINRA Rule 6730 superseded NASD Rule 6230 on December 15, 2008.

³ At various times since December 15, 2008, the effective date of Rule 6730, the obligation to report "promptly, accurately, and completely" fell under different subsections of FINRA Rule 6730(a). At the end of the review period, the obligation fell under FINRA Rule 6730(a)(5).

A violation of FINRA Rule 6730 or NASD Rule 6230 also constitutes a violation of FINRA Rule 2010 or its predecessor, NASD Rule 2110,⁴ which require members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade. In addition, FINRA Rule 6730(f) states that “[a] pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2010.”

From November 2008 to September 2020, MarketAxess reported approximately 53,000 transactions—consisting of 51,252 corporate bond transactions and 2,446 U.S. Treasury transactions—to TRACE with inaccurate execution times.⁵ For approximately half of these transactions, the time of execution was inaccurate by one second. From 2013 to 2020, MarketAxess also reported 399 of the corporate bond transactions to TRACE more than 15 minutes after the time of execution. These inaccurate and late reports occurred due to a technological error, which the firm resolved in September 2020.

Therefore, MarketAxess violated NASD Rules 6230(c)(8) and 2110 and FINRA Rules 6730(a), 6730(c)(8), and 2010. In addition, MarketAxess’s late reporting constituted a pattern or practice of late reporting without exceptional circumstances, in violation of FINRA Rule 2010.

MarketAxess made inaccurate and untimely reports of municipal transactions.

MSRB Rule G-14 sets forth transaction reporting requirements for municipal securities. MSRB Rule G-14(b)(i) requires each broker, dealer, or municipal securities dealer to report information about each purchase and sale transaction effected in municipal securities to the MSRB RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. The Rule G-14 RTRS Procedures and RTRS Users Manual require, among other things, the time of trade to be reported to the RTRS. Under MSRB Rule G-14(b)(ii), all brokers, dealers, or municipal securities dealers have an ongoing obligation to report this information promptly, accurately, and completely. Rule G-14 RTRS Procedures (a)(ii) states that transactions effected during the RTRS business day shall be reported within 15 minutes of the time of trade except in certain enumerated situations.

From April 2016, when the firm first began reporting municipal transactions to RTRS, to May 2023, MarketAxess reported 57,340 transactions to the RTRS with an inaccurate time of trade due to the firm’s incorrect interpretation of time of trade. For a majority of these transactions, the execution time was inaccurate by one second. MarketAxess also reported 123 of these transactions to the RTRS more than 15 minutes after the time of trade.

⁴ FINRA Rule 2010 superseded NASD Rule 2110 on December 15, 2008.

⁵ U.S. Treasury securities became TRACE-reportable in July 2017. The U.S. Treasury transactions at issue here were reported after such securities became TRACE-reportable.

Therefore, MarketAxess violated MSRB Rule G-14.

MarketAxess's supervisory system was not reasonably designed to achieve compliance with TRACE and MSRB reporting rules.

Under FINRA Rule 3110(a) and its predecessor, NASD Rule 3010(a), each member firm must establish and maintain a system to supervise the activities of its associated persons that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.⁶ Under FINRA Rule 3110(b) and its predecessor, NASD Rule 3010(b), each member firm must establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules. A violation of FINRA Rule 3110 or NASD Rule 3010 also constitutes a violation of FINRA Rule 2010 or NASD Rule 2110.

MSRB Rule G-27(a) requires brokers, dealers, and municipal securities dealers to supervise the conduct of their municipal securities activities to ensure compliance with MSRB rules and applicable provisions of the Securities Exchange Act of 1934 and Exchange Act Rules. MSRB Rule G-27(b) requires brokers, dealers, and municipal securities dealers to establish and maintain a system to supervise the municipal securities activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable MSRB rules. MSRB Rule G-27(c) requires brokers, dealers, and municipal securities dealers to adopt, maintain, and enforce written supervisory procedures reasonably designed to ensure compliance with MSRB Rule G-27(a).

From November 2008 to January 2022, MarketAxess failed to establish and maintain a supervisory system and WSPs reasonably designed to achieve compliance with TRACE reporting obligations. From April 2016 to January 2022, MarketAxess failed to establish and maintain a supervisory system and WSPs reasonably designed to ensure compliance with MSRB RTRS reporting obligations. Specifically, the firm's supervisory system, including its WSPs, did not include reasonable reviews to ensure that accurate execution times were reported to TRACE and RTRS. Starting in January 2022, MarketAxess's WSP required that the firm perform automated surveillance of TRACE and RTRS reporting, including timestamps, and conduct a manual review of any surveillance alerts.⁷

Based on the foregoing, MarketAxess violated NASD Rules 3010 and 2110, FINRA Rules 3110 and 2010, and MSRB Rule G-27.

⁶ FINRA Rule 3110 superseded NASD Rule 3010 on December 1, 2014.

⁷ After January 2022 when the firm began performing automated surveillance and manual reviews of surveillance alerts, the firm continued to report certain municipal bond transactions to RTRS with inaccurate times of trade due to its incorrect interpretation of the meaning of time of trade.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and
- a \$180,000 fine (\$90,000 of which pertains to the violations of MSRB Rules G-14 and G-27).

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions

regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

February 18, 2025

Date

Ron Steinfeld

MarketAxess Corporation
Respondent

Print Name: Ron Steinfeld

Title: Chief Compliance Officer

Reviewed by:

Julian Rainero

Julian Rainero
Counsel for Respondent
Schulte Roth & Zabel LLP
919 Third Avenue
New York, NY 10022

Accepted by FINRA:

Signed on behalf of the
Director of ODA, by delegated authority

February 25, 2025

Date

Carly M. Kostakos

Carly M. Kostakos
Senior Counsel
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