SUNCOR ENERGY INC
Form 6-K
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of: March 2002 Commission File Number: 1-12384

SUNCOR ENERGY INC.
(Name of registrant)

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CALGARY, ALBERTA, CANADA, T2P 2V5

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ---------   Form 40-F X ---------

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the SEC pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ---------   No X ---------

If "Yes" is marked, indicate the number assigned to the registrant in connection with Rule 12g3-2(b):

N/A

SUNCOR ENERGY INC. ANNUAL INFORMATION FORM

FEBRUARY 28, 2002

ANNUAL INFORMATION FORM

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GLOSSARY OF TERMS

BITUMEN/HEAVY OIL

A naturally occurring viscous tar-like mixture, mainly containing hydrocarbons heavier than pentane, that is not recoverable at a commercial rate in its naturally occurring viscous state through a well without using enhanced recovery methods. When extracted bitumen/heavy oil can be upgraded into crude oil and other petroleum products.

CAPACITY

Maximum output that can be achieved from a facility in ideal operating conditions in accordance with current design specifications.

COALBED METHANE

Natural gas produced from wells drilled into a coal formation. Also called coal seam methane.

CONVENTIONAL CRUDE OIL

Crude oil produced through wells by standard industry recovery methods for the production of crude oil.

CONVENTIONAL NATURAL GAS

Natural gas produced from all geological strata, excluding coalbed methane.

CRUDE OIL

Unrefined liquid hydrocarbons, excluding natural gas liquids.

DOWNSTREAM

This business segment manufactures, distributes and markets refined products from crude oil.

DRY HOLE/WELL

An exploration or development well determined, on an economic basis, to be incapable of producing hydrocarbons that will be plugged, abandoned and reclaimed.

GROSS PRODUCTION/RESERVES

Suncor's undivided percentage interest in production/reserves before deducting Crown royalties, freehold and overriding royalty interests.

GROSS WELLS/LAND HOLDINGS

Total number of wells or acres, as the case may be, in which Suncor has an interest.

HEAVY FUEL OIL

Residue from refining of conventional crude oil that remains after lighter products such as gasoline, petrochemicals and heating oils have been extracted.

IN-SITU OIL

In-situ or "in place" refers to methods of extracting heavy crude oil from deep deposits of oil sands with minimal disturbance of the ground cover.

NATURAL GAS

Hydrocarbons that at atmospheric conditions of temperature and pressure are in a gaseous state.

NATURAL GAS LIQUIDS

Hydrocarbon products recovered as liquids from raw natural gas by processing through extraction plants or recovered from field separators, scrubbers or other gathering facilities. These liquids include the hydrocarbon components ethane, propane, butane and pentane plus, or a combination thereof.

NET PRODUCTION/RESERVES

Suncor's undivided percentage interest in total production or total reserves, as the case may be, after deducting Crown royalties and freehold and overriding royalty interests.

NET WELLS/LAND HOLDINGS

Suncor's undivided percentage interest in the gross number of wells or gross number of acres, as the case may be, after deducting interests of third parties.

OVERBURDEN

Material overlying oil sands that must be removed before mining. Consists of muskeg, glacial deposits and sand.

PROBABLE RESERVES

Those reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proved under current technology and existing economic conditions, but where such analysis suggests the likelihood of their existence and future recovery. Probable additional reserves to be obtained by the application of enhanced recovery processes will be the increased recovery over and above proved estimates that can be realistically estimated for the pool on the basis of enhanced recovery processes which can be reasonably expected to be instituted in the future.

PROVED RESERVES

Those reserves estimated as recoverable with a high degree of certainty under current technology and existing economic conditions, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including the reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir.

RESOURCES

Resources, with respect to Suncor's oil sands leases, include quantities of oil and gas that are estimated, on a given date, to be potentially recoverable from known accumulations and undiscovered accumulations that are not proved or probable reserves and are of a higher risk than, and are generally believed to be less likely to be recovered than proved and probable reserves, and also include proved and probable reserves. Total resources include both synthetic crude oil estimates for mining leases, and bitumen estimates for in-situ oil sands leases.

RESERVOIR

Body of porous rock containing an accumulation of water, crude oil or natural gas.

SOUR SYNTHETIC CRUDE OIL

Crude oil produced from oil sands that requires only partial upgrading and contains a higher sulphur content than sweet synthetic crude oil.

SWEET SYNTHETIC CRUDE OIL

Crude oil produced from oil sands consisting of a blend of hydrocarbons resulting from thermal cracking and purifying of bitumen.

SYNTHETIC CRUDE OIL

Upgraded or partially upgraded crude oil recovered from oil sands including surface mineable oil sands leases and in-situ heavy oil leases.

UNDEVELOPED OIL AND NATURAL GAS LANDS

Suncor's undivided percentage interest in lands where no producing or commercially producible well has been drilled.

UPSTREAM

This business segment includes acquisition, exploration, development, production and marketing of crude oil, natural gas and natural gas liquids; and for greater clarity includes the production of synthetic crude oil, butimen and other oil products from oil sands.

UTILIZATION

The average use of capacity taking into consideration planned and unplanned outages and maintenance.

WELLS

Development Well

A crude oil or natural gas well in a reservoir known to be productive and expected to produce in future.

DRILLED WELL

A well that has been drilled and has a defined status e.g. gas well, shut-in well, producing oil well, producing gas well, suspended well or dry and abandoned well.

EXPLORATORY WELL

A well drilled in unproved or semi-proved territory with the intention to discover commercial reservoirs or deposits of crude oil and/or natural gas.

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ACCOUNTING TERMS

BARREL OF OIL EQUIVALENT (BOE)

Suncor converts natural gas to crude oil on the approximate long-term economic equivalent basis that 6,000 cubic feet of natural gas equals one barrel of crude oil.

DEVELOPMENT COSTS

Includes all costs associated with moving reserves from other classes such as "proved undeveloped" and "probable" to the "proved developed" class.

FINDING COSTS

Includes the cost of and investment in undeveloped land, geological and geophysical activities, exploratory drilling and direct administrative costs necessary to discover crude oil and natural gas reserves.

INTEREST COVERAGE -- CASH FLOW BASIS

Cash provided from operating activities before interest expense and income tax payments, divided by the aggregate of interest expense and interest capitalized.

LIFTING COSTS

Includes all expenses related to the operation and maintenance of producing or producible wells and related facilities, natural gas plants and gathering systems.

MMCF/E (MILLION CUBIC FEET EQUIVALENT)

Converts crude oil to natural gas on the approximate long-term economic equivalent basis that one barrel of crude oil equals 6,000 cubic feet natural gas.

NET DEBT

Long-term borrowings (including the current portion) plus short-term borrowings, less cash and cash equivalents.

OPERATING WORKING CAPITAL

Current assets (excluding cash and cash equivalents), less current liabilities (excluding borrowings).

RETURN ON AVERAGE CAPITAL EMPLOYED

Earnings before long-term interest expense as a percentage of average capital employed. Average capital employed is the total of shareholders' equity and debt (short-term borrowings and current and long-term portions of long-term borrowings, less the capitalized cost related to major growth projects in progress), at the beginning and end of the year, divided by two.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY

Earnings as a percentage of average shareholders' equity. Average shareholders' equity is the aggregate of total shareholders' equity at the beginning and end of the year, divided by two.

CONVERSION TABLE

1 cubic metre m(3) = 6.29 barrels	1 tonne = 0.984 tons (long)
1 cubic metre m(3) (natural gas) = 35.49 cubic feet	1 tonne = 1.102 tons (short)
1 cubic metre m(3) (overburden) = 1.31 cubic yards	1 kilometre = 0.62 miles
	1 hectare = 2.5 acres

NOTES:

(1) Conversion using the above factors on rounded numbers appearing in this Annual Information Form may produce small differences from reported amounts.

(2) Some information in this Annual Information Form is set forth in metric units and some in imperial units.

CURRENCY

All references in this Annual Information Form to dollar amounts are in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains certain forward-looking statements that are based on Suncor's current expectations, estimates, projections and assumptions and were made by the Company in light of its experience and its perception of historical trends.

All statements that address expectations or projections about the future, including statements about Suncor's strategy for growth and future expenditures, commodity prices, costs, schedules, production volumes, operating and financial results, are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects," "anticipates," "plans," "intends," "believes," "projects," "indicates," "could", "vision", "goal", "objective" and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Suncor's business is subject to risks and uncertainties, some that are similar to other oil and gas companies and some that are unique to Suncor. Suncor's actual results may differ materially from those expressed or implied by its forward-looking statements as a result of known and unknown risks, uncertainties and other factors.

You are cautioned not to place undue reliance on Suncor's forward looking statements. The risks, uncertainties and other factors that could influence actual results include but are not limited to: changes in the general economic, market and business conditions; fluctuations in supply and demand for Suncor's products; fluctuations in commodity prices; fluctuations in currency exchange rates; Suncor's ability to respond to changing markets; the ability of Suncor to receive timely regulatory approvals; the successful and timely implementation of its growth projects including the Firebag In-Situ Oil Sands Project and Project Voyageur; the integrity and reliability of Suncor's capital assets; the cumulative impact of other resource development projects; Suncor's ability to comply with current and future environmental laws; the accuracy of Suncor's reserve estimates, production estimates and production levels and its success at exploration and development drilling and related activities; the maintenance of satisfactory relationships with unions, employee associations and joint venturers; competitive actions of other companies, including increased competition from other oil and gas companies or from companies that provide alternative sources of energy; the uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; actions by governmental authorities including tax increases and changes in government fees, changes in environmental and other regulations; the ability and willingness of parties with whom Suncor has material relationships to perform their obligations to Suncor; the occurrence of unexpected events such as fires, blowouts, freeze-ups, equipment failures and other

similar events affecting Suncor or other parties whose operations or assets directly or indirectly affect Suncor; and other factors, many of which are beyond Suncor's control.

Suncor cautions that the foregoing list of important factors is not exhaustive. Many of these risk factors are discussed in further detail throughout this Annual Information Form and in Management's Discussion and Analysis for the year ended December 31, 2001 and dated February 28, 2002 ("MD&A"), which MD&A is incorporated by reference herein. Readers are also referred to the risk factors described in other documents Suncor files from time to time with securities regulatory authorities. Copies of these documents are available without charge from the Company at 112 - 4th Avenue S.W., Calgary, Alberta, T2P 2V5, by calling 1-800-558-9071, or by email request to info@suncor.com.

CORPORATE STRUCTURE

INCORPORATION OF THE ISSUER

Suncor Energy Inc. (formerly Suncor Inc.) was originally formed by the amalgamation under the CANADA BUSINESS CORPORATIONS ACT on August 22, 1979 of Sun Oil Company Limited, incorporated in 1923 and Great Canadian Oil Sands Limited, incorporated in 1953. On January 1, 1989, Suncor amalgamated with a wholly-owned subsidiary under the CANADA BUSINESS CORPORATIONS ACT. Suncor's articles were amended in 1995 to move its registered office from Toronto, Ontario, to Calgary, Alberta, and amended again in April 1997, to adopt its current name, "Suncor Energy Inc.". In April 1997 and May 2000, Suncor's articles were amended to divide its issued and outstanding shares on a two-for-one basis. In January 2002, Suncor's Board of Directors authorized a further two-for-one common share division with a May 15, 2002, record date, subject to shareholder approval at the Company's annual meeting scheduled for April 26, 2002.

Suncor's registered and principal office is located at 112 - 4th Avenue, S.W. Calgary, Alberta, T2P 2V5.

In this Annual Information Form, references to "Suncor" or the "Company" include Suncor Energy Inc., its subsidiaries and joint venture investments unless the context otherwise requires.

SUBSIDIARIES OF SUNCOR

Suncor Energy Inc. has two principal subsidiaries.

Sunoco Inc. ("Sunoco") is an Ontario corporation that is wholly-owned by Suncor. Sunoco refines and markets petroleum products and petrochemicals directly and indirectly through subsidiaries and joint ventures. In this Annual Information Form, references to "Sunoco" mean Sunoco Inc., its subsidiaries and joint venture investments, unless the context otherwise requires. Sunoco is unrelated to Sunoco, Inc. (formerly known as Sun Company, Inc.) that is headquartered in Philadelphia, Pennsylvania.

Suncor Energy Marketing Inc., wholly-owned by Sunoco, is incorporated under the laws of Alberta. Suncor Energy Marketing Inc. manages Company and certain third party Alberta-based pipeline operations and markets, mainly to customers in Canada and the United States, certain crude oil, diesel fuel products, and byproducts such as petroleum coke, sulphur and gypsum produced by Suncor's Oil Sands and Natural Gas (NG) business units as well as certain other third party products. Commencing in 2002, Suncor Energy Marketing Inc. will also market the Company's natural gas production to customers in Canada and the United States and supply natural gas to Oil Sands and Sunoco. Suncor Energy Marketing Inc. also has a petrochemical marketing division that principally manages its participation in Sun Petrochemicals Company, a petrochemical product joint venture partnership.

GENERAL DEVELOPMENT OF THE BUSINESS

OVERVIEW

Suncor is a Canada-based integrated energy company. Suncor explores for, acquires, develops, produces, and markets crude oil and natural gas, refines crude oil and markets petroleum and petrochemical products.

Suncor has three principal operating business units. Oil Sands, based near Fort McMurray, Alberta, produces sweet and sour crude oil, diesel fuel and custom blended feedstocks. Natural Gas ("NG") (formerly Exploration and Production), based in Calgary, Alberta, explores for, acquires, develops and produces natural gas. Sunoco, headquartered in Toronto, Ontario, refines crude oil, markets a broad range of petroleum products, mostly in Ontario, markets petrochemical products in the United States and Europe, and markets natural gas to residential and commercial customers in Ontario.

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While it provides hydrocarbon-based resources for the immediate energy needs of consumers, Suncor also pursues the development of low-emission and no-emission energy sources that have a reduced environmental impact. Suncor announced plans to place its renewable energy projects under the management of NG beginning in 2002. While NG will manage these projects, segmented financial data will be reported under the results for the "Corporate" segment in Suncor's financial reporting.

In 2001, Suncor produced approximately 127,100 barrels per day (bpd) of crude oil and natural gas liquids (approximately 6% of Canada's crude oil production) and 177 million cubic feet per day of natural gas. In 2000, the most recent period with published results, Suncor was the third largest crude oil and natural gas liquids producer and the 26th largest natural gas producer in Canada.

In 2001, Suncor sold approximately 93,400 bpd (14,800 m3 per day) of refined products, mainly in Ontario but also in the United States and Europe. Suncor's refined product sales in Ontario represented approximately 18% of Ontario's total refined product sales in 2001.

THREE-YEAR HIGHLIGHTS

OIL SANDS

In April 1999, following approval from Suncor's Board of Directors and regulatory authorities, Suncor commenced construction of Project Millennium, an expansion of its Oil Sands plant near Ft. McMurray, Alberta. Through an expanded mine, additional mining equipment, increased energy services support and twinning of the bitumen extraction and upgrading process, Project Millennium was ultimately designed to increase production capacity of the plant to 225,000 bpd by 2002.

Project Millennium was completed in 2001 at a final capital cost of $3.4 billion, up from the original estimate of $2 billion. The increase in project costs over both the original, and subsequent interim estimates, was primarily attributable to rising labour, fabrication and material costs and a $150 million change in the project's scope. The additional capital costs were financed by internally generated cash flow and additional borrowing.

In October 1999, pursuant to an agreement entered into with TransAlta Energy Corporation ("TransAlta"), TransAlta assumed the role of operator of Suncor's existing Oil Sands energy services plant. Also in 1999, TransAlta commenced construction of a $315 million co-generation facility at Suncor's Oil Sands plant site. Fully operational in 2001, this TransAlta owned and operated facility is meeting a portion of Oil Sands' electricity and steam requirements as well as supplying electricity to the Alberta power grid.

In early 2000, Suncor announced a plan to further expand its Oil Sands operations beyond Project Millennium and in 2001 Suncor received regulatory approval to proceed with development of the Firebag In-situ Oil Sands Project. Combined with the construction of an associated vacuum tower at the site of its plant, the first stage of Firebag is designed to add 35,000 barrels per day of bitumen production at an estimated cost of $1 billion. The current cost estimate is up from the original estimate of $750 million. Firebag construction, which commenced in 2001, is expected to continue through to 2005 when Suncor is targeting to achieve a total Oil Sands production capacity of 260,000 bpd. Three additional stages of development of the Firebag leases, which have received regulatory approval, have the potential to increase production from these leases to a total of 140,000 barrels of bitumen per day by the end of the decade. Approval from Suncor's Board of Directors is required before construction beyond the first stage can begin.

In 2001, Suncor also announced plans for Voyageur, a phased expansion of the Company's oil sands mining and in-situ operations and related extraction and upgrading facilities. Management believes Voyageur has the potential to increase production capacity at Oil Sands to 500,000 to 550,000 bpd in 2010 to 2012.

Suncor plans to develop Voyageur in phases with engineering, construction and production plans for each phase to be aligned with long term marketing strategies. In 2002, Suncor plans to undertake a

comprehensive stakeholder consultation program and integrate recommendations, as appropriate, into engineering, design and project development for Voyageur. Preliminary cost estimates for Voyageur are expected to be available in late 2002. Development of Voyageur requires approval of regulators and Suncor's Board of Directors, as well as favourable fiscal and market conditions, among other things.

In 2001, Suncor commenced a crude oil brokerage business to generate additional income by buying and selling crude oil production of other companies. The activity conducted by this business did not have a significant impact on the Company's earnings or cash flow in 2001.

NATURAL GAS (NG)

In April 2000, Suncor's Board of Directors approved a repositioning of the Exploration and Production business and renamed it Natural Gas ("NG") to reflect the sharpened focus on natural gas production to meet growing demand, both internally and externally.

In 2000, NG set a target to decrease annualized operating costs by a total of $18 million to $20 million by year-end 2001. Approximately $15 million of this target was reached in 2000. Annualized operating costs decreased an additional $5 million in 2001 through a focus on administrative cost controls and reduced lifting costs.

NG's goal is to achieve a return on average capital employed (see Glossary) of at least 12% in 2002 and at least 15% in 2004 at mid-cycle natural gas prices

(U.S. $3.00 to $3.50/mcf price range). Management will work toward this goal by building existing operating areas and developing new production and revenue streams. Achievement of this goal cannot be assured. See "Forward-looking statements" at the beginning of this AIF.

SUNOCO

In 2001, Sunoco entered into an energy supply agreement with TransAlta. Under the agreement, steam from the TransAlta Sarnia Regional Co-generation Project, a multi-user cogeneration project in Sarnia, Ontario, will be supplied to Sunoco's Sarnia Refinery. The agreement is expected to help mitigate Sunoco's exposure to increases in energy costs and supply steam to the Sarnia Refinery at a competitive cost, while eliminating the need for Sunoco to build its own steam generating boilers. According to TransAlta, the new facility is expected to commence operation in the fourth quarter of 2002. Under this agreement with TransAlta, Sunoco has the right to take a portion of the electricity output from the TransAlta Sarnia Regional Co-generation Project. If Sunoco exercised this right prior to startup of the new facility, the electricity requirements of the Sarnia Refinery would also be supplied under the agreement with TransAlta. Sunoco had entered into a conditional fixed-rate electricity supply contract with a third party in 2000 to lock-in costs on a portion of its electricity requirements for three years following deregulation of the Ontario electricity market. However, due to the delay in deregulation, this contract terminated automatically in accordance with its terms. Sunoco continues to evaluate available options with respect to long-term electricity supply and no decision has been taken by Sunoco to date with respect to the exercise of its option under the TransAlta contract.

Federal legislation passed in 1999 mandates sulphur levels in gasoline to an average of 150 parts per million (ppm) from mid-2002 to the end of 2004, and a maximum of 30 ppm by 2005. Sunoco finalized an investment plan in 2001 to meet the sulphur content limits. Capital required to achieve compliance is expected to be approximately $40 million, which includes the addition of a desulphurization unit. Construction of the unit is planned for 2002 and 2003.

In 2001, Sunoco completed a strategic assessment of its retail natural gas marketing business. Sunoco is currently exploring alternatives with respect to the business, including a possible disposition, joint venture or other transaction involving such business.

OTHER

FINANCING ACTIVITIES

During 1999, the Company completed a Canadian offering of $276 million of 9.05% preferred securities and a U.S. offering of U.S.$162.5 million of 9.125% preferred securities, the proceeds of which totaled Canadian $507 million after issue costs of $17 million ($10 million after income tax credits of $7 million). The preferred securities are unsecured junior subordinated debt of the Company, due in 2048 and redeemable at the Company's option on or after March 15, 2004. See "Dividend Policy and Record."

During 2000, the Company put in place a borrowing facility for $500 million that is fully revolving for 364 days and was scheduled to expire in 2001. In 2001 this facility was extended to June 2002 and increased to $550 million.

In 2001 Suncor issued $500 million of Series 2 Medium Term Notes with a ten year maturity. The notes have a coupon of 6.7% and will yield 6.74%.

In January 2002, Suncor issued U.S. $500 million principal amount of 7.15% unsecured notes due February 1, 2032, to investors in the United States (the "U.S."). The notes were sold at a price of 99.595% per note to yield 7.183% to maturity. The sale of the notes was under Suncor's shelf prospectus dated January 10, 2002, which allows for the issuance of debt securities and common shares in an aggregate principal amount of up to U.S. $1 billion. Also in January 2002, Suncor filed a base shelf prospectus with Canadian securities regulatory authorities, enabling it to issue up to a further $500 million in medium term notes in Canada, if required. To date, no notes have been issued under this prospectus.

SALE OF STUART OIL SHALE PROJECT

In April 2001, Sunoco sold its interest in the Stuart Oil Shale Project to its Australian joint venture co-owners, Southern Pacific Petroleum NL ("SPP") and Central Pacific Minerals NL ("CPM") (together, "SPP/CPM"). The first stage of the Queensland, Australia project, originally announced by Suncor and SPP/CPM in 1997, was designed as a 4,500 barrel per day demonstration plant to test the commercial viability of producing crude oil from oil shale. Construction of the demonstration plant was completed and commissioning commenced in 1999. Operational issues were experienced during commissioning, including issues relating to plant reliability, noise, odours and the discovery of low levels of dioxin and other emissions. In the third quarter of 2000, Suncor recorded an after-tax write-down of $80 million, reflecting increased costs and delayed oil production, and thereafter, all future expenditures on the Project were expensed. Suncor's investment in the Project up to the date of sale, excluding $4 million invested by Suncor in partially paid SPP/CPM shares that were cancelled as part of the sale transaction, and $5 million in shares acquired in 2001, as discussed below, was approximately $275 million.

Under the terms of the sale, Suncor retained a 5% royalty interest in the first stage of the project, and SPP/CPM and Suncor retained worldwide rights to the project technology. Suncor made total payments as part of the transaction in the amount of Aus$7 million (approximately Cdn$5 million) for which Sunoco received 2.5 million SPP shares and 0.926 million CPM shares. In addition, SPP/CPM issued to Suncor 12.5 million SPP share options and 4.6 million CPM share options, and Suncor surrendered the partly paid SPP/CPM restricted class shares it had originally acquired in 1997.

As a result of the sale an after-tax charge to earnings of $3 million was recorded in the second quarter of 2001. At the end of 2001 Suncor also partially wrote-down the carrying value of the shares acquired by $3 million.

OTHER HIGHLIGHTS

In September 1999, Suncor was included in the newly formed Dow Jones Sustainability Index, the world's first global equity index tracking the performance of 200 leading sustainability-driven companies in 68 industry groups in 22 countries. Suncor continued to be part of the Sustainability Index in 2000 and 2001.

Suncor announced in 2000 plans to invest at least $100 million over five years to pursue renewable energy opportunities. As of December 31, 2001, Suncor hadexpended approximately $16 million with the majority of these funds expended on the SunBridge Wind Power Project in Gull Lake, Saskatchewan. This project is a 50-50 partnership with Enbridge Inc. ("Enbridge"). In 2001, the first electricity was generated from this project.

For further information on the status of the ongoing projects and issues referred to above and other highlights of 2001, refer to "Outlook" and other sections of Suncor's MD&A.

NARRATIVE DESCRIPTION OF THE BUSINESS

OIL SANDS

Suncor produces a variety of refinery feedstocks and diesel fuel by mining the Athabasca oil sands in northeastern Alberta and upgrading the bitumen extracted at its plant near Fort McMurray, Alberta. The Oil Sands operations, accounting for over 99% of Suncor's conventional and synthetic crude oil production in 2001, represents a significant portion of Suncor's asset base, cash flow and earnings.

OPERATIONS

Suncor's integrated Oil Sands business involves four operations: a mining operation using trucks and shovels to mine the oil sand ore; extraction facilities to recover the bitumen from the oil sand ore; a heavy oil upgrading process, where bitumen is converted into crude oil products; and an energy services plant (operated by TransAlta), which together with TransAlta's natural-gas fired co-generation plant that commenced operations at the Oil Sands plant site in 2001, provides the site with steam and electric power. Suncor's energy services plant primarily uses petroleum coke, a by-product of the coking process, as fuel. It also consumes natural gas.

The first step of the open pit mining operation is to remove the overburden with trucks and shovels to access the oil sands - a mixture of sand, clay and bitumen. The oil sands ore is transported to one of four sizing plants by a fleet of trucks. The ore is dumped into sizers where it is crushed and then transported to the extraction plant. On the west bank of the Athabasca River, the ore is transported by a conveyor system that stretches approximately five kilometers. On the east bank, a slurry of partially processed ore from the mine is transported by a hydrotransport system to the extraction plant on the west side of the river. Bitumen is extracted from the oil sands with a hot water process. After the final removal of impurities and minerals, naphtha is added as diluent to facilitate transportation to the upgrading plant. Periodically bitumen is sold rather than being upgraded. In 2001 approximately 8,500 bpd of bitumen were sold, representing approximately seven percent of 2001 production.

After transfer to the upgrading plant, the diluted bitumen is separated into naphtha and bitumen. The naphtha is recycled to be used again as diluent and the bitumen is upgraded through a coking and distillation process. The upgraded product, referred to as sour crude oil, is either sold directly to customers or is further upgraded into sweet crude oil by removing the sulphur and nitrogen using a hydrogen treating process. Three separate streams of refined crude oil are blended together according to customer specifications. Suncor Energy Marketing Inc. purchases and ships these product blends by pipeline for sale and distribution to Suncor's Sarnia, Ontario refinery, as well as other customers in Canada and the United States. Oil Sands entered into a transportation service agreement with a subsidiary of Enbridge for a term that commenced in 1999 and extends to 2028, for pipeline capacity that allows for the initial shipment of 60,000 and increasing to 170,000 barrels per day of sour crude oil and bitumen from Fort McMurray, Alberta to Hardisty, Alberta. As the initial shipper on the pipeline, Suncor's tolls payable under the agreement are subject to annual adjustments. The pipeline is operated by Suncor Energy Marketing Inc. This pipeline, together with Suncor's proprietary oil sands pipeline, is expected to meet Suncor's anticipated crude oil shipping requirements for expected future production levels up to 2008.

Suncor has an agreement TransCanada Pipeline Ventures Limited Partnership ("TCPV"), to provide Suncor with firm capacity on a new natural gas pipeline constructed by TCPV. This pipeline came into service in 1999.

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The oil sands plant is susceptible to loss of production due to the interdependence of its component systems. In 1999 two unplanned outages of the 5C9 fractionator lasted a total of 16 days and resulted in approximately 1.8 million barrels of lost production. Parts of the 5C9 unit that failed were redesigned during the second outage in September 1999, with the objective of improving reliability and helping to achieve targeted production rates. Suncor shut down the same unit for maintenance twice in 2001, also for a total of 16 days. It is estimated that the lost production from these 2001 outages was approximately 1.8 million barrels. Management will continue to monitor the performance of this unit and evaluate whether further repairs or other remedial actions are required to address the operational issues.

Through expansion projects like Millennium, Suncor expects improved operational flexibility by reducing the cash flow impact of complete plant-wide shutdowns. For example, Millennium adds a second complete processing operation. This "dual train" approach increases production capacity and provides the flexibility to schedule periodic plant maintenance on one train while continuing to generate production and cash flow from the other. Oil Sands base plant (which excludes Millennium facilities) is currently scheduled to undergo a maintenance shutdown in 2002. Suncor plans to continue producing from the Project Millennium facilities during this scheduled maintenance. During these partial shutdown maintenance periods, work can be done while the rest of the plant continues to operate. This reduces both the cost and scope of shutdowns and allows for continued production of sour crude oil during the shutdown period.

Suncor has also undertaken other work to improve operational performance. Over the past several years, backup components and systems have been introduced in critical areas to improve reliability. In addition to ongoing preventive maintenance programs, full plant maintenance shutdowns are completed approximately every four years. In addition to complete shutdowns, partial shutdowns in the upgrader are undertaken periodically.

Severe climatic conditions at Oil Sands can cause reduced production and in some situations result in higher costs.

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LEASEHOLD INTERESTS AND ROYALTIES

Set out in the table below is a summary of Suncor's oil sands mining and in-situ leasehold interests as of December 31, 2001.

Description	Legal Description	Referred to as	Number of Gross Acres (Net Acres if applicable)	(cr l
MINING LEASES:				
Mine Expansion:				
Leases	7280100T25	25	17,644	
	7279080T19	19	18,760	Mi
	7597030T11	97	2,483	Le
	7280060T23		36,954	re
	7498050014		243	
Fee Lots(1)	1	N/A	1,894	(1
	3	N/A	1,967	(1
	4	N/A	1,886	(1
Original Mine	7387060T04	86	4,522	Or
Leases	7279120092	17	1,619	Le
TOTAL MINING LEASES			87,972	
FIREBAG LEASES:				
Firebag(2)	7285100T85	85	39,594	(1
	7097110062	N/A	7,040	(1
	7097110063	N/A	5,760	(1
	7097110064	N/A	4,800	(1
	7097120065	N/A	13,440	(1
	7097120066	N/A	18,560	(1
	7097120067	N/A	19,200	(1
	7099120072	N/A	23,040	(1
	7099120073	N/A	23,040	(1
	7099120074	N/A	16,640	(1
	7099120075	N/A	23,040	(1
	7001100001	N/A	22,400	(1
	7401100027	N/A	23,040	(1
	7401100029	N/A	10,240	(1
	7401100013	N/A	7,360	(1
Firebag(2)	Various(3)	Various	84,480	(1
TOTAL FIREBAG LEASES			341,674	
TOTAL LEASES			429,646	

Notes:
(1) No proved reserves are attributable to these leases.

(2) Leases are principally in-situ.

(3) Suncor holds a beneficial interest in 13 leases totaling 84,480 gross and net acres.

The Government of Alberta is entitled to royalties under Leases 17, 19, 25, 86 and 97 and the Fee Lots at rates which the Government establishes from time to time.

Under the Alberta Suncor Crown Royalty Agreement, Crown royalties are 25% of net revenues less allowable costs (including capital expenditures), subject to a minimum payment of 5% of gross revenues. In 2001, the minimum royalty rate changed to 1% of gross revenues. Suncor currently expects to pay Crown royalties at the minimum 1% rate until 2009, based on assumptions relating to future crude oil prices, production levels, operating costs and capital expenditures. In 2000, Suncor made Crown royalty payments based upon the 5% minimum royalty. Suncor transitioned to a generic Oil Sands royalty agreement with the Alberta government in 1999 that provides Suncor with additional allowable cost deductions to a maximum of $158 million per year for ten years (related to Suncor's original investment in the Oil Sands facility).

Anadarko Inc. (a successor to Norcen Energy Resources Limited) has a gross overriding royalty on Lease 86 pursuant to an agreement dated March 1, 1989 (the "Anadarko Royalty"). The Anadarko Royalty is based on a graduated scale dependent on the synthetic crude oil price expressed as a percentage of gross revenue from production of the lease. As of December 31, 2001, under the Anadarko Royalty, no payment is required if synthetic crude prices are below $20.15 per barrel. Payment of 1.5% of gross revenue is required if the synthetic crude price ranges from $20.15 to $21.14 per barrel. For every $1.00 per barrel increase in the price of synthetic crude in the range of $21.15 to $26.14 per barrel, the percentage rate of the royalty increases by 0.5%. For every $1.00 per barrel increase in the price of synthetic crude in the range of $26.15 to $37.14 per barrel, the percentage rate of the royalty increases by a further 0.25 % until a maximum royalty of 7% is reached. All synthetic crude prices are calculated on a monthly average basis and the crude price break points are adjusted annually on March 1 of each year by a contractually determined inflation component. Suncor currently expects to complete mining on the Anadarko lease in 2002.

Petro-Canada has a royalty on Lease 19 pursuant to an agreement dated October 6, 1992. The royalty is calculated as 1.5% of net sale proceeds. Net sale proceeds are calculated based upon a formula by which the sale proceeds for the period exceeds the sum of allowed deductions for the period.

The Crown royalty regime applicable to the Firebag in-situ leases will be the same regime as described for Suncor's oil sands mining leases above. To date, Suncor has had no commercial production from this area and none is expected until 2004-2005.

ESTIMATED RESERVES

Suncor estimates its mining leases, on a combined basis, contain proved plus probable reserves of synthetic crude oil totaling 2.405 billion barrels, with 376 million barrels classified as proved. Its in-situ leases, on a combined basis, contain probable reserves of 2.029 billion barrels of bitumen. In the case of Firebag in-situ bitumen reserves, Suncor has the option of selling this bitumen production and/or upgrading the bitumen to synthetic crude oil. Suncor's current upgrading operations have a synthetic crude oil yield of 80%. These estimates are before deduction of Crown and applicable royalties on the leases. Under the Crown Royalty Agreement the Crown royalty is dependent on deemed net revenues (Revenue-Cost, or R-C); therefore the calculation of net reserves would vary depending upon production rates, prices and operating and capital costs.

The mining reserve estimates are based upon a detailed geological assessment including drilling density

and laboratory tests and also consider current production capacity and upgrading yields, current mine plans, operating life and regulatory constraints. Based on these factors, additional proved reserves are anticipated to be recognized as the mine is further developed. The current proved plus probable reserve estimate is based on an additional 30 years of operations without further expansion.

Suncor engaged Gilbert Laustsen Jung Associates Ltd. ("GLJ"), independent petroleum engineering consultants, to audit Suncor's estimate of proved and probable reserves of synthetic crude oil on its mining leases, as of December 31, 2001. A synthetic crude oil yield of 80% has been utilized in the determination of the proved and probable reserves. The proved reserves exclude areas within the current pit designed not drilled up to a density of at least 10 holes per square kilometer. The proved plus probable reserves are based upon a production forecast recognizing 30 additional years of mining operations (210,000 bpd in 2002 and 220,000 bpd thereafter). Suncor is considering pit design changes to the Millennium mine associated with higher stripping ratio areas, permitted under operating criteria issued by the Alberta Energy and Utilities Board in 2001. The current proved plus probable volumes are now 58 million barrels higher than current model estimates which reflect the proposed changes. This difference in estimates corresponds to about 9 months of anticipated production, and is considered to be within the accuracy of the model estimates. The pit designs will continue to be impacted by both additional drilling data and operating experience, as well as technology developments and economic considerations. Furthermore, the potential exists to expand mining operations north across the Steepbank River, to develop an ore body not yet classified as a reserve. In their opinion dated January 16, 2002, GLJ state they believe there is at least a 90% and 50% confidence the proved and proved plus probable mining reserves estimates will be exceeded, respectively. Their opinion is qualified to the extent that it assumes Suncor will comply with any amendments that may be made to regulatory approvals.

At Suncor's request GLJ has prepared an independent resource and economic analysis of Suncor's Firebag in-situ oil sands project leases. Suncor's geologic interpretation of the leases was provided to GLJ, who reviewed Suncor's methodology and interpretation and then prepared independent interpretations. GLJ's interpretation was based on an analysis of individual well data and 3D and 2D seismic data supplied by Suncor. GLJ based its interpretation on current pricing and royalty assumptions. In addition, GLJ utilized estimates and assumptions for factors such as recovery efficiencies and operating costs, based on GLJ's experience with similar projects. Cost and construction schedule estimates were supplied by Suncor.

Based upon the work conducted by GLJ as described above, GLJ estimates that there are 9.6 billion barrels of bitumen resources on the Firebag leases, which includes a total 2.029 billion barrels that are probable nonproducing bitumen working interest reserves within the project approved area.

Suncor continues to conduct its evaluation program in the Firebag area in 2002, utilizing a combination of seismic and corehole drilling. This process is expected to be ongoing over a number of years. The program is intended to assist Suncor in evaluating the potential bitumen resources in order satisfy oil sands lease tenure regulations, obtain sufficient geological data to quantify the resources on the leases, and gain a more detailed understanding of the resource to facilitate future design and layout of production wells.

To date Suncor has drilled approximately 300 coreholes and acquired approximately 400 miles of seismic data in the Firebag area. Programs are conducted annually to gain the information needed to guide resource development.

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RESERVES RECONCILIATION

The following table sets out a reconciliation of Suncor's proved and probable reserves of synthetic crude oil and bitumen from December 31, 2000 to December 31, 2001, based on reports issued by GLJ as described above (the "GLJ Oil Sands Reports").

	Mining Reserves(2) (millions of barrels of synthetic crude oil)			I (mil
	Proved	Probable	Total	
December 31, 2000..........	422	2,034	2,456	
Revisions(1)...............	(1)	(5)	(6)	
Additions..................	-	-	-	
Production.................	(45)	-	(45)	
December 31, 2001..........	376	2,029	2,405	

Note:

(1) Revisions relate to drilling activity, revisions to the pit design based upon both geotechnical and economic data related to the Mine Expansion leases (see the table under the heading "Leasehold Interests and Royalties") and operational issues.

(2) Synthetic crude oil reserves based upon a net coker, or synthetic crude oil yield of 80%.

(3) Suncor has the option of selling the bitumen production from these leases and/or upgrading the bitumen to synthetic crude oil.

REVENUES FROM SYNTHETIC CRUDE OIL AND DIESEL

Although revenues after royalties per barrel are higher for synthetic crude oil than for conventional crude oil, operating costs to produce synthetic crude oil are higher than lifting and administrative costs to produce conventional crude oil from the Western Canada Sedimentary Basin. While there is no finding cost associated with synthetic crude oil, mine development and expansion of production can entail significant outlays of funds. The costs associated with synthetic crude oil production are largely fixed for the same reason and, as a result, operating costs per unit are largely dependent on levels of production.

Aside from onsite fuel use, all of Oil Sands production is sold to Suncor Energy Marketing Inc., a wholly owned subsidiary of Sunoco, which then markets the production.

In 1997, Suncor and Shell Canada ("Shell") renewed a purchase agreement whereby Shell agreed to purchase and receive approximately 95,000 cubic metres (approximately 600,000 barrels) of sweet synthetic crude oil per month. The original term of the agreement was to December 31, 1997, with 60-day evergreen terms thereafter. The price received is based on a formula involving postings for sweet crude oil. With Millennium start-up, Suncor also entered into a one-year agreement effective January 1, 2002 to sell an additional 28,600 cubic meters (180,000 barrels) per month to Shell under the same pricing terms.

In 1997 Suncor entered into a long-term agreement with Koch Oil Co. Ltd. ("Koch") to supply Koch with up to 30,000 barrels per day (approximately 26% of Suncor's average 2001 total production) of sour crude from Suncor's Oil Sands operation. Suncor began shipping the crude to Koch's refinery in Minnesota under this long-term agreement effective January 1, 1999. The initial term of the agreement extends to January 1, 2009, with month to month evergreen terms thereafter, subject to termination after January 1, 2004, on twenty-four months' notice. In 2000, Suncor announced a long term sales agreement with Consumers Co-operative Refineries Limited ("CCRL") under which Suncor expects to begin supplying CCRL with 20,000 barrels per day of sour crude oil production from its Project Millennium expansion facilities by late 2002. Prices for sour crude oil under these agreements are set at agreed differentials to market benchmarks. In 2001, Suncor announced a long-term agreement with Petro-

Canada to supply up to 30,000 barrels per day of diluent to dilute bitumen produced by Petro-Canada. The contract is expected to commence in 2002 and is a four year agreement that will be extended unless terminated by either party.

In 2001, Koch was the only customer that represented 10% or more of Suncor's consolidated revenues, while there were two such customers in 2000, Koch and Shell.

A portion of Oil Sands production is used in connection with Suncor's Sarnia refining operations. During 2001, the Sarnia refinery processed approximately 14% (2000 -- 25%) of Oil Sands crude oil production.

The following table sets forth the average sales price received per barrel of synthetic crude oil from Oil Sands on a quarterly basis for the years 2001 and 2000, after the impact of hedging activities.

	2001				2000		
$/bbl	4Q	3Q	2Q	1Q	4Q	3Q	
Average sales price	24.43	31.43	31.40	30.85	31.33	32.39	3

CAPITAL EXPENDITURES

Capital spending at Oil Sands is expected to total approximately $600 million in 2002, $420 million with respect to the in-situ phase of Suncor's Oil Sands development and expansion of the upgrading facilities and $180 million in capital investments for the current facility. Capital expenditures in 2001 were approximately $1.5 billion.

Suncor's in-situ spending of $420 million in 2002 is part of $1 billion in total spending on in-situ projects planned for the period 2002 to 2005.

The following table sets out, for the quarters indicated, capital expenditures by Suncor's Oil Sands business unit:

	2001					
CAPITAL EXPENDITURES BY QUARTER	4Q	3Q	2Q	1Q	4Q	3Q
Property acquisitions	4	-	-	9	13	4
Drilling activity	4	-	4	14	1	-
Capital Additions to Facilities (1)	305	384	392	363	466	363

Note:

(1) Includes capital spending on Project Millennium, Firebag Oil Sands Projects, acquisition of mining equipment, and other capital spending

ENVIRONMENTAL COMPLIANCE

For a description of the impact of environmental protection requirements on Oil Sands, refer to "Environmental Risks" and "Government Regulation" in the "Risk/Success Factors" section of this AIF.

NATURAL GAS

Suncor's Natural Gas business, based in Calgary, Alberta, explores for, develops and produces conventional natural gas in western Canada, supplying it to markets throughout North America. The sale of NG production provides an internal hedge for natural gas consumption at Suncor's Oil Sands and Sunoco businesses. In addition, Suncor's U.S. subsidiary, Suncor Energy (Natural Gas) America Inc., is acquiring land and exploring for coal bed methane in the United States.

In April 2000, Suncor's Board of Directors approved a repositioning of the Exploration and Production business and renamed it Natural Gas to reflect a sharpened focus on natural gas production. The repositioning entailed the consolidation of production in three core natural gas areas, and a restructuring of business processes to support the new focus.

During 2000, NG targeted its natural gas focus in Western Canada by concentrating on natural gas prospects and selling most of its conventional crude oil properties. Exiting 2001, natural gas and natural gas liquids accounted for approximately 94% of the NG business unit's production.

Suncor's exploration program is focused on multiple geological zones in three core asset areas: Northern (northeast British Columbia and northwest Alberta), Foothills (western Alberta and portions of northeast British Columbia) and Central Alberta. Suncor drills primarily medium to high-risk wells focusing on prospects that can be connected to existing infrastructure.

An in-house natural gas marketing group sells Suncor's proprietary natural gas and natural gas acquired from other producers. During 1997, Suncor entered into a five-year agreement with Enron Capital and Trade Resources Canada Corp. ("ECT") for ECT to provide operational and administrative services to Suncor related to its natural gas portfolio. This agreement was terminated without cost to Suncor in December 2001. ECT continues to provide natural gas related operational and administrative services to Suncor under a short-term agreement.

RESERVES AND RESERVES RECONCILIATION

GLJ reported January 29, 2002, on Suncor's estimated proved and probable reserves of natural gas, natural gas liquids and crude oil (other than reserves from Suncor's mining leases and the Firebag in-situ reserves), as of December 31, 2001. Information with respect to these reserves is set out in the tables below and in the tables under the headings "Crude Oil and Natural Gas Liquids" and "Natural Gas" (the "Reserves Tables"). GLJ's determination of Suncor's estimated proved and probable recoverable reserves are based on constant year end prices and costs determined as of the dates indicated with no escalation into the future. The accuracy of any reserve estimate is a function of the quality and quantity of available data and of engineering interpretation and judgment. While reserve and production estimates presented are considered reasonable, the estimates should be viewed with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward.

IN THE RESERVES TABLES:

(1) Proved reserves and probable reserves have the meanings set out in the Glossary of Terms at the front of this Annual Information Form. All proved and probable reserves are in Canada.

(2) Proved developed reserves are on production, or reserves that could be recovered from existing wells or facilities, if the Company placed them on production.

(3) Gross reserves represent the aggregate of Suncor's undivided percentage interest in reserves including the royalty interest of governments and others in such reserves and Suncor's royalty interest in reserves of others. Net reserves are gross reserves less that royalty interest share of others including governments. Royalties can vary depending upon selling prices, production volumes, and timing of initial production and changes in legislation. Net reserves have been

calculated following generally accepted guidelines, on the basis of prices and the royalty structure in effect at year-end and anticipated production rates. Such estimates by their very nature are inexact and subject to constant revision.

The following tables set out a reconciliation of NG's estimated proved reserves from December 31, 2000 to December 31, 2001.

ESTIMATED PROVED RESERVES RECONCILIATION(1)

	GROSS		
	CRUDE OIL AND NATURAL GAS LIQUIDS (MILLIONS OF BARRELS)	NATURAL GAS (BILLIONS OF CUBIC FEET)	CRUDE NATURAL (MILLIONS
December 31, 2000...............	16(1)	797	
Revisions of previous estimates.	(1)	(3)	
Extension and discoveries.......	-	27	
Production......................	(1)	(65)	
Sales of minerals in place......	-	(1)	
December 31, 2001..............	14(1)	755	

Note:

(1) Includes 8.6 million barrels of natural gas liquids as at December 31, 2001 (9.2 million barrels as at December 31, 2000).

Estimated proved reserves are comprised of developed and undeveloped reserves. The following tables show the breakdown between these categories.

ESTIMATED PROVED DEVELOPED RESERVES RECONCILIATION

	GROSS		
	CRUDE OIL AND NATURAL GAS LIQUIDS (MILLIONS OF BARRELS)	NATURAL GAS (BILLIONS OF CUBIC FEET)	CRUDE NATURAL (MILLIONS
December 31, 2000...............	13	573	
Revisions of previous estimates.	(1)	31	
Extension and discoveries.......	-	34	
Production......................	(1)	(65)	
Sales of minerals in place......	-	-	
December 31, 2001..............	11	573	

ESTIMATED PROVED UNDEVELOPED RESERVES RECONCILIATION

	GROSS		
	CRUDE OIL AND NATURAL GAS LIQUIDS	NATURAL GAS	CRUDE NATURAL
	(MILLIONS OF BARRELS)	(BILLIONS OF CUBIC FEET)	(MILLIONS
December 31, 2000................	3	224	
Revisions of previous estimates..	-	(34)	
Extension and discoveries........	-	(7)	
Sales of minerals in place.......	-	(1)	
December 31, 2001................	3	182	

The following table sets out a reconciliation of NG's estimated probable reserves from December 31, 2000 to December 31, 2001.

ESTIMATED PROBABLE RESERVES RECONCILIATION

	GROSS		
	CRUDE OIL AND NATURAL GAS LIQUIDS	NATURAL GAS	CRUDE NATURAL
	(MILLIONS OF BARRELS)	(BILLIONS OF CUBIC FEET)	(MILLIONS
December 31, 2000................	7	304	
Revisions of previous estimates..	(1)	(80)	
Purchases of minerals in place...	-	-	
Extension and discoveries........	-	16	
Sales of minerals in place.......	-	(3)	
December 31, 2001................	6	237	

CONVENTIONAL CRUDE OIL

The following table shows estimates of NG's proved crude oil reserves before royalties as prepared by GLJ (see "Reserves and Reserves Reconciliation") and Suncor's average daily production of crude oil before royalties, in Alberta and British Columbia, represented by the conventional fields identified in this table.

FIELDS	PROVED RESERVES BEFORE ROYALTIES AT DECEMBER 31, 2001(1) (MILLIONS OF BARRELS)	%
Simonette	2.3	47
Blueberry	1.8	37
McKinley	0.2	4
Bonanza	0.2	4
Rosevear	0.1	2
Boundary Lake	0.1	2
Other(2)	0.3	4
Total-- gross	5	100

Notes:

(1) The reserves and production in this table do not include natural gas liquids.

(2) Includes fields in which Suncor holds overriding royalty interests.

(3) Production in 2001 was materially different from 2000 due to strategic divestments.

Most of the large conventional oil fields in the western provinces have been in production for a number of years and the rate of production in these fields is subject to natural decline. In some cases, additional amounts of crude oil can be recovered by using various methods of enhanced crude oil recovery, infill drilling and production optimization techniques. At the end of 2001, approximately 90% of Suncor's proved conventional oil reserves were under enhanced oil recovery programs.

NATURAL GAS LIQUIDS

The following table shows estimates of NG's proved natural gas liquids reserves before royalties as prepared by GLJ (see "Reserves and Reserves Reconciliation") and Suncor's average daily production of natural gas liquids before royalties, in Alberta and British Columbia, represented by the conventional fields identified in this table.

FIELDS	PROVED RESERVES BEFORE ROYALTIES AT DECEMBER 31, 2001 (MILLIONS OF BARRELS)	%
Simonette	2.0	23
Grande Prairie	1.4	16
Knopcik	1.2	14
Pine Creek	0.8	9
Glacier	0.5	6
Stolberg	0.5	6
Blueberry	0.5	6
Rosevear	0.4	5
Blackstone	0.3	4
Phoenix	0.2	2
George	0.1	1
Hinton	0.1	1
Mountain Park	0.1	1
Boundary Lake	0.1	1
Other(1)	0.8	5
Total-- gross	9	100

Note:

(1) Includes fields in which Suncor holds overriding royalty interests.

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NATURAL GAS

The following table shows estimates of NG's proved natural gas reserves, before royalties, as prepared by GLJ (see "Reserves and Reserves Reconciliation") and Suncor's average daily production of natural gas before royalties, in Alberta and British Columbia, represented by the major natural gas fields identified in the table.

PROVED RESERVES
BEFORE ROYALTIES AT
DECEMBER 31, 2001

FIELDS	(MILLIONS OF BARRELS)	%
Stolberg	216	29
Blackstone/Brown Creek	79	11
Grande Prairie area	59	8
Mountain Park	52	7
Knopcik area	50	7
Glacier	49	6
Simonette	40	5
Rosevear	39	5
Blueberry	38	5
Sinclair	20	3
Pine Creek	18	2
Cutbank	16	2
Other(1)	79	10
Total-- Gross	755	100

Note:

(1) Includes fields in which Suncor holds overriding royalty interests.

LAND HOLDINGS

The following table sets out the undeveloped and developed lands in which the NG business unit held crude oil and natural gas interests at the end of 2001. Undeveloped lands are lands within their primary term upon which no well has been drilled. Developed lands are lands past their primary term or upon which a well has been drilled.

The petroleum and natural gas interests include Suncor's undivided percentage interest in leases, licenses, reservations, permits or exploration agreements (collectively, the "Agreements"). In general, Agreements confer upon the lessee the right to explore for and remove crude oil and natural gas from the lands, with the lessee paying exploration and development costs, operating costs, abandonment costs and reclamation costs, subject to paying rentals, taxes and royalties. Interests in Agreements (excluding freehold agreements) are acquired from the federal or provincial governments through competitive bidding or by undertaking work commitments, or by joint venture agreements with industry companies.

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	UNDEVELOPED ACRES	
	GROSS ACRES(1)	NET ACRES(1)
	(THOUSANDS)	
CANADA		
Western provinces	627	508

INTERNATIONAL	1,685	1,227
Total Undeveloped Landholdings	2,312	1,735

Note:

(1) "Gross Acres" means all of the acres in which Suncor has either an entire or undivided percentage interest in. "Net Acres" represents the acres remaining after deducting the undivided percentage interests of others from the gross acres.

DRILLING

The following table sets forth the gross and net exploratory and development wells, in Western Canada, the United States and Australia, which were completed, capped or abandoned in which Suncor participated during the years indicated.

	YEAR	
	2001	
	GROSS	NET
Exploratory Wells		
Crude oil...........................	-	-
Gas.................................	5	4
Dry (1).............................	22	16
Total Exploratory Wells..................	27	20
Development Wells		
Crude oil...........................	1	-
Gas.................................	24	16
Dry.................................	4	2
	-	-
Total Development Wells	29	18
Total....................................	56	38

NOTE:

(1) Includes 18 gross (14 net) coal bed methane wells in 2001.

Not included are earning wells completed by other companies under farmout agreements relating to lands in which Suncor has an undivided percentage interest, since Suncor did not incur cash expenditures in connection with such wells. In addition to the above wells, Suncor had interests in 27 gross (14 net) exploratory wells in progress and 12 gross (seven net) development wells in progress at the end of 2001.

Suncor continues to hold interests in frontier properties (Arctic and Northwest Territories) including 28 long-term "significant discovery licences".

WELLS

The following table summarizes the wells in which the NG business unit has a working interest or a royalty interest as at December 31, 2001.

	Producing Wells(1)(2) Gross	Producing Wells(1)(2) Net
CONVENTIONAL CRUDE OIL WELLS		
Alberta	47	32
British Columbia	24	11
Total Conventional Crude Oil Wells	71	43
CONVENTIONAL NATURAL GAS WELLS		
Alberta	269	148
British Columbia	49	24
TOTAL CONVENTIONAL NATURAL GAS WELLS	318	172
TOTAL WELLS	389	215

Notes:

(1) Gross wells represent the number of wells in which NG has an undivided percentage interest and net wells represent NG's aggregate undivided percentage interest share in such wells.

(2) Producing wells are wells producing hydrocarbons or having the potential to produce, excluding shut-in wells. As at December 31, 2001 Suncor has interests in four oil fields and 29 gas fields.

(3) Non-Producing Wells represent management's estimate of shut-in wells that could be capable of economic production but were not on production as at December 31, 2001.

SALES AND SALES REVENUES

The following table shows the breakdown of NG's sources of revenues.

GROSS REVENUES(1)

Crude oil and natural gas liquids..
Natural gas..
Pipeline...
Other..

Total..

Note:

(1) Includes intersegment revenues.

PRODUCTION COSTS

The following shows production (lifting) costs in connection with NG's crude oil and natural gas operations for the years indicated. In 2001, Suncor began to convert natural gas to barrels of oil equivalent (BOE) at a 6:1 ratio (thousand cubic feet of natural gas: barrel of oil); previously, conversion was on a 10:1 basis. Figures prior to 2001 have been restated on a 6:1 basis.

PRODUCTION (LIFTING) COSTS

Average production (lifting) cost of conventional crude oil and gas(1)..........................

Note:

(1) Production (lifting) costs include all expenses related to the operation and maintenance of producing or producible wells and related facilities, natural gas plants and gathering systems. It does not include an estimate for future reclamation costs.

QUARTERLY VOLUMES AND NETBACK ANALYSIS

The following table shows Suncor's average production volumes, pricing, royalties, operating expenses and netbacks for natural gas, conventional crude oil and natural gas liquids, for the periods indicated.

	2001						
	4Q	3Q	2Q	1Q	2001	4Q	3Q
NATURAL GAS							
Production Volume (mmcf/day)	180	176	177	177	177	183	20
Price ($/mcf)	3.10	3.90	6.78	10.73	6.09	8.02	4.6
Royalties ($/mcf)	(0.54)	(0.85)	(1.58)	(2.91)	(1.46)	(2.14)	(1.0
Operating Expenses ($/mcf) (1)	(0.97)	(0.79)	(0.95)	(0.73)	(0.86)	(0.95)	(0.6
Netback ($/mcf)	1.59	2.26	4.25	7.09	3.77	4.93	2.8
CONVENTIONAL CRUDE OIL							
Production Volume (kbbls/d) (2)	1.3	1.5	1.5	1.7	1.5	1.6	3.
Price ($/bbl)	27.17	33.17	36.75	37.35	34.35	36.01	33.0
Royalties ($/ bbl)	(1.84)	(2.46)	(2.60)	(2.89)	(2.45)	(11.52)	(9.7
Operating Expenses ($/ bbl) (1)	(7.25)	(4.76)	(5.69)	(3.85)	(5.17)	(9.47)	(6.7
Netback ($/bbl)	18.08	25.95	28.46	30.61	26.73	15.02	16.6
NATURAL GAS LIQUIDS							
Production Volume (kbbls/d) (2)	2.4	2.4	2.3	2.3	2.4	2.5	2.
Price ($/bbl)	23.47	30.26	39.32	45.07	34.38	43.00	39.5
Royalties ($/ bbl)	(5.96)	(10.26)	(10.77)	(12.86)	(9.93)	(12.62)	(11.5
Operating Expenses ($/ bbl) (1)	(5.83)	(4.75)	(5.72)	(4.40)	(5.17)	(9.47)	(6.7
Netback ($/bbl)	11.68	15.25	22.83	27.81	19.28	20.91	21.2

Note:

(1) Operating expenses includes production (lifting) costs and administrative expenses.
(2) Thousands of barrels per day

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MARKETING, PIPELINE AND OTHER OPERATIONS

Suncor operates gas processing plants at South Rosevear, Pine Creek, Boundary Lake South, Progress and Simonette with a total design capacity of approximately 206 million cubic feet per day (mmcf/day). Suncor's capacity interest in these gas processing plants is approximately 128 mmcf/day. Suncor also has varying undivided percentage interests in natural gas processing plants operated by other companies.

Approximately 69% of Suncor's natural gas production is marketed under direct sales arrangements to customers in Alberta, eastern Canada, and the United States. Contracts for these direct sales arrangements are of varied terms, with a majority having terms of one year or less, and incorporate pricing which is either fixed over the term of the contract or determined on a monthly basis in relation to a specified market reference price. Under these contracts, NG is responsible for transportation arrangements to the point of sale. Sales to the United States are made under a variety of arrangements with different transportation and pricing terms. NG's direct sales arrangements include some of the natural gas consumed in Suncor's Oil Sands plant at Fort McMurray and in its downstream operations.

Approximately 31% of Suncor's natural gas production is sold under existing contracts to aggregators ("system sales"). Proceeds received by producers under these sales arrangements are determined on a netback basis, whereby each producer receives revenue equal to its proportionate share of sales less regulated transportation charges and a marketing fee. Most of NG's system sales volumes are contracted to TransCanada Gas Services and Pan-Alberta Gas Ltd. These companies resell this natural gas primarily to eastern Canadian and midwest and eastern United States markets.

To ensure ongoing direct sales access to markets in the United States, NG has entered into long-term gas pipeline transportation contracts. Suncor currently has 14 million cubic feet per day of firm capacity on the Northern Border Pipeline to the U.S. midwest that expires October 31, 2003. Suncor also has firm capacity of 40 mmcf/day on the Pacific Gas Transmission ("PGT") pipeline to the California border extending to the year 2023.

Suncor's conventional crude oil production is used in its refining operations, exchanged for other crude oil with Canadian or U.S. refiners, or sold to Canadian and U.S. purchasers. Sales are generally made under spot contracts or under contracts that are terminable on relatively short notice. Suncor's conventional crude oil production is shipped on pipelines operated by independent pipeline companies. NG currently has no pipeline commitments related to the shipment of crude oil.

The Suncor-owned Albersun pipeline, operated by Suncor Energy Marketing Inc., was constructed in 1968 to transport natural gas to the Oil Sands plant. It extends approximately 300 kilometres south of the plant and connects with the TCPL Alberta intra-provincial pipeline system. The Albersun pipeline has the capacity to move in excess of 100 mmcf/day of natural gas. Suncor arranges for natural gas supply and controls most of the natural gas on the system under delivery based contracts. The pipeline moves natural gas both north and south for Suncor and other shippers. In 2001, throughput on Albersun pipeline was 66 mmcf/day and revenues were approximately $5 million.

CAPITAL AND EXPLORATION EXPENDITURES

The following table sets out, for the quarters indicated, capital expenditures by Suncor's NG business unit:

	2001				2000	
($ millions)	4Q	3Q	2Q	1Q	4Q	3Q
Property Acquisition	-	-	-	-	8	-
Exploration	29	4	14	3	17	9
Development	19	20	17	26	8	13

NG expects to spend $140 million in 2002 to support the Company's goal of increasing natural gas production.

ENVIRONMENTAL COMPLIANCE

For a description of the impact of environmental protection requirements on NG, refer to "Environmental Risks" and "Government Regulation" in the "Risk/Success Factors" section of this AIF.

SUNOCO

Suncor refines and markets petroleum products in central Canada through its wholly owned subsidiary, Sunoco Inc.. Its refinery in Sarnia, Ontario, refines petroleum feedstocks from Oil Sands and other sources into gasoline, distillates and petrochemicals.

Sunoco's controlled distribution channels enhance its position in the Ontario market. Approximately 59% of Sunoco's sales volume in 2001 was sold through controlled distribution networks in Ontario that sell gasoline and diesel to retail customers. Approximately 38% was sold to industrial, commercial, wholesale and refining customers in Ontario and Quebec, primarily jet fuels, diesel and gasolines. The remaining 3% represents petrochemical sales through Sun Petrochemicals Company, a 50% joint venture between Sunoco and a U.S. refinery.

Sunoco also markets natural gas to approximately 125,000 commercial and residential customer accounts in Ontario. In 2001, Sunoco completed a strategic assessment of this business, and is currently exploring alternatives including a possible disposition, joint venture, or other transaction involving such business.

Sunoco's financial reporting in 2001 is based on its Rack Back / Rack Forward organizational structure. The Rack-Back division procures and refines crude oil and feedstocks, and sells and distributes to the Sarnia refinery's largest industrial and reseller customers. The Rack-Forward division is comprised of retail operations, retail natural gas marketing, cardlock and industrial /

commercial sales, and the UPI Inc. ("UPI") and Pioneer Group Inc. ("Pioneer") joint venture businesses. UPI is a 50% joint venture company owned by Sunoco and GROWMARK Inc., a U.S. Midwest agricultural supply and grain marketing cooperative. Pioneer is an independent retailer with which Sunoco has a 50% joint venture partnership.

PROCUREMENT OF FEEDSTOCKS

Sunoco's refining operation uses both synthetic and conventional crude oil. Sunoco procured approximately 47% of its synthetic crude oil feedstock from Suncor's Oil Sands production in 2001, compared with 56% in 2000. In 2001, 55% of the crude oil refined at the Sarnia Refinery was synthetic crude oil, compared with 64% in 2000. The balance of the refinery's synthetic crude oil, as well as its conventional and condensate feedstocks, were purchased from others under month to month contracts. In the event of a significant disruption in the supply of synthetic crude oil, the refinery has the flexibility to substitute other sources of sweet or sour conventional crude oil.

Sunoco procures its conventional crude oil feedstock primarily from western Canada, supplemented from time to time with crude oil from the United States and other countries. Foreign crude oil is delivered to Sarnia via pipeline from the United States Gulf Coast or via the Interprovincial Pipeline from Montreal. Sunoco has made no firm commitments for capacity on these pipeline systems. Crude oil is procured from the market on a spot basis or under contracts terminable on short notice.

In 1998, Sunoco signed a 10-year synergistic feedstock agreement with a Sarnia-based petrochemical refinery, Nova Chemicals (Canada) Ltd. Under this buy/sell agreement, Sunoco obtains feedstock that is more suitable for production of transportation fuels in exchange for feedstock more suitable for petrochemical cracking. Sunoco also enters into reciprocal buy/sell or exchange arrangements with other refining companies from time to time as a means to minimize transportation costs, balance product

availability and enhance refinery utilization. Sunoco also purchases refined products in order to meet customer requirements.

REFINING OPERATIONS

Sunoco's Sarnia Refinery produces transportation fuels (gasoline, diesel, propane and jet fuel), heating fuels, liquefied petroleum gases, residual fuel oil, asphalt feedstock, benzene, toluene, mixed xylenes and orthoxylene, as well as the petrochemicals A-100 and A-150 that are used in the manufacture of paint and chemicals.

The refinery has the capacity to refine 70,000 barrels of crude oil per day. Refining sales in 2001 averaged approximately 93,400 barrels per day. The Sarnia Refinery is configured to allow for operational flexibility. In addition to conventional sweet and sour crudes, the refinery is capable of processing sweet synthetic crude oil, which yields a more valuable product mix. A hydrocracker, jet fuel tower and low-sulphur diesel tower further increase the refinery's ability to produce premium-value transportation fuels, distillates and naphtha, and its flexibility to vary the gasoline/distillate ratio. The hydrocracker has a capacity to process approximately 23,300 barrels per day. Additional flexibility in gasoline, octane and petrochemical production is provided by the complementary operations of an alkylation unit with a capacity of 5,400 barrels per day. The petrochemical facilities, which have a capacity of 13,100 barrels per day, produce benzene, toluene, and mixed xylenes, and recover orthoxylene from mixed xylenes, as well as petrochemicals A-100 and A-150.

The refinery has a cracking capacity of 40,200 barrels per day from a Houdry Catalytic Cracker ("catcracker") and a hydrocracker. Approximately 40% of the cracking capacity is attributable to the catcracker, which uses older cracking technology. In 2001, The refinery completed planned maintenance on Plant One, which consists of a crude unit, catalytic cracker, alkylation unit, and other treating units. However, the refinery also experienced unplanned outages involving the catcracker, the BTX unit and the vacuum unit. As a result, crude utilization declined 6% to 92% in 2001. The following chart sets out daily crude input, average refinery utilization rates, and cracking capacity utilization of the Sarnia refinery over the last two years.

Sarnia Refinery Capacity	2001	2000
Average daily crude input (barrels per day)	64,200	68,900
Average utilization rate (%)(1)	92	98
Average cracking capacity utilization (%)(2)	88	91

Notes:

(1) Based on crude unit capacity and input to crude units.
(2) Based on cracking capacity and input to the hydrocracker and catalytic cracker.

In 2001 Sunoco entered into an energy supply agreement with TransAlta, under which steam will be supplied to Sunoco's Sarnia Refinery. For more details, see the "Sunoco" section under "Three Year Highlights" in this Annual Information Form.

PRINCIPAL PRODUCTS

Sales of gasolines and other transportation fuels represented 80% of Sunoco's consolidated revenues and other operating revenues in 2001 compared to 83% in 2000. Set forth below is information on daily sales volumes and percentage of Sunoco's consolidated revenues contributed by product group for the last two years.

DAILY SALES VOLUMES	2001		
	(THOUSANDS OF CUBIC METRES PER DAY)	% OF SUNOCO'S CONSOLIDATED REVENUES	(THOUSANDS CUBIC METR PER DAY)

Transportation fuels			
Gasoline	5.6	42	5.5
Retail (1)..................			
Other (2)...................	3.1	17	2.8
Jet fuel............................	0.7	4	1.1
Other...............................	3.1	17	3.1
	12.5	80	12.5
Petrochemicals......................	0.5	4	0.5
Heating fuels.......................	0.4	2	0.4
Heavy fuel oils.....................	0.8	2	0.6
Other...............................	0.6	2	0.6
Total Refined Products..............	14.8	90	14.6
Other Non Refined Products..........	-	10	-
Total %.............................		100	

Notes:
(1) Excludes joint ventures.
(2) Joint ventures

PRINCIPAL MARKETS

Approximately 59% of Sunoco's total sales volumes are marketed through controlled retail networks, including the Sunoco retail network, joint-venture operated retail stations, and cardlock operations. This controlled network is comprised of:

- 302 Sunoco retail service stations
- 154 Pioneer-operated retail service stations
- 47 UPI-operated service stations and a network of bulk distribution facilities for rural and farm fuels
- 18 Sunoco branded Fleet Fuel Cardlock sites

Refined petroleum products (excluding petrochemicals), and natural gas sold to commercial and residential accounts are marketed under several brands, including the Company's Canadian "Sunoco" trademark. Sunoco's other principal trademarks include "Ultra 94" in respect of its premium high octane gasoline, and "Gold Diesel" used in respect of its premium low sulphur diesel product.

Approximately 38% of Sunoco's total sales volumes are sold to industrial, commercial, wholesale, and refining customers, primarily in Ontario. Sunoco also supplies industrial and commercial customers in Quebec through long-term arrangements with other regional refiners, or through Group Petrolier Norcan Inc., a 25% Sunoco-owned fuels terminal and product supply business in Montreal.

Sunoco markets toluene, mixed xylenes, orthoxylene and petrochemicals, primarily in Canada and the U.S., through Sun Petrochemicals Company. Suncor Energy Marketing Inc. has a 50% interest in Sun Petrochemicals Company, a petrochemical marketing joint venture company, to market products from Sunoco's Sarnia Refinery and a Toledo, Ohio, refinery owned by the joint venture partner. Sun Petrochemicals Company markets petrochemicals used to manufacture plastics, rubber, synthetic fibres, industrial solvents and agricultural products, and as gasoline octane enhancers. All of Sunoco's benzene production is sold directly to other petrochemical manufacturers in Sarnia.

Sunoco's share of total refined product sales in its primary market of Ontario is approximately 18% in 2001 compared with approximately 17% in 2000. Transportation fuels accounted for over 84% of Sunoco's total sales volumes in 2001; petrochemicals accounted for 3%. The remaining volumes included other refined products such as heating fuels, heavy oils and liquefied petroleum gases, and were sold to industrial users and resellers.

Sunoco supplies refined petroleum products to the Pioneer and UPI joint ventures under exclusive supply agreements. The UPI joint venture expires in 2002, and thereafter will be automatically renewed unless terminated upon 120 days prior written notice. The shareholder agreement between UPI and Sunoco provides that Sunoco has the exclusive right to supply petroleum products to the joint venture as long as Sunoco remains as a shareholder of UPI. No notice of termination has been received or given to date.

In addition to refined product sales, Sunoco also markets natural gas to approximately 125,000 commercial and residential customer accounts in Ontario. Margins improved in the natural gas business in 2001 due to a restructuring of customer contracts that locked in fixed price sales to fixed price supply.

TRANSPORTATION AND DISTRIBUTION

Sunoco uses a variety of transportation modes to deliver products to market, including pipeline, water, rail and road. Sunoco owns and operates petroleum transportation, terminal and dock facilities, including storage facilities and bulk distribution plants in Ontario. The major mode of transporting gasoline, diesel, jet fuel and heating fuels from the Sarnia Refinery to core markets in Ontario is the Sun-Canadian Pipe Line, which is 55% owned by Sunoco and 45% owned by another refiner. The pipeline operates as a private facility for its owners. It serves terminal facilities in Toronto, Hamilton and London, and has a capacity of 126,000 barrels per day (20,000 cubic metres). Sunoco utilized 85% of this capacity in 2001 compared with 84% in 2000.

Sunoco also has direct pipeline access to petroleum markets in the Great Lakes region of the United States by way of connection to a pipeline system in Sarnia operated by a U.S.-based refiner. This link to the U.S. allows Sunoco to move products to market or obtain feedstocks/products when market conditions are favourable in the Michigan and Ohio markets.

Sunoco believes that its own storage facilities, and those under long-term contractual arrangements with other parties, are sufficient to meet its current and foreseeable needs.

CAPITAL EXPENDITURES

Sunoco plans to spend approximately $96 million in 2002 compared with $54 million in 2001. Expenditures in 2002 will include funds associated with meeting sulphur-in-gasoline limit regulations at its Sarnia refinery. In 2002 and 2003 Sunoco plans to spend $40 million to meet the new 2005 sulphur-in-gasoline regulated limits. See "Risk / Success Factors Affecting Performance" in the Sunoco section of MD&A and "Risks Specifically Respecting Sunoco" in the "Risk /

Success Factors" section of this AIF.

ENVIRONMENTAL COMPLIANCE

For a description of the impact of environmental protection requirements on Sunoco, please refer to the sections entitled "Outlook" and "Risk/Success Factors Affecting Performance" in the Sunoco section of Management's Discussion and Analysis in Suncor's 2001 Annual Report. Also refer to "Environmental Risks" and "Government Regulation" in the "Risk/Success Factors" section of this AIF.

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SUNCOR EMPLOYEES

The following table shows the distribution of employees among Suncor's three business units, its corporate office and the Stuart Oil Shale Project for the past two years.

	YEAR ENDED DECEMBER 31,	
	2001	2000
Oil Sands	2,367	2,057
Natural Gas	190	182
Sunoco(1)	561	590
Stuart Project	-	77
Corporate(2)	189	137
Total	3,307	3,043

Notes:

(1) Excludes joint venture employees.

(2) Reflects inclusion of Calgary-based employees providing technical support to the Firebag In-Situ Project, as well as some information technology employees who were previously counted within the individual business units.

(3) In addition to Suncor employees, independent contractors supply a range of services to the Company.

The Communications, Energy and Paperworkers Union Local 707 represents approximately 1,423 Oil Sands employees. Suncor entered into a three-year collective agreement with the union effective May 1, 2001. Management believes Suncor's positive working relationship with the union will continue.

Employee associations represent approximately 170 Sunoco Sarnia refinery and Sun-Canadian Pipe Line Company employees. In March 2001, Sunoco and the Sarnia employee association signed a one-year agreement that will be renegotiated in 2002. Sunoco management believes Sunoco's positive working relationship with this association will continue and a new agreement should be reached. The agreement with the employee association of Sun-Canadian Pipe Line Company was signed in 1993, and it is renewed automatically each year unless terminated by written notice by either party at least 60 days prior to the anniversary date of the agreement. No notice under such agreement has been received or given to date. Sunoco management believes Sunoco's positive working relationship with this association will continue and the agreement will be automatically renewed on its anniversary.

RISK/SUCCESS FACTORS

VOLATILITY OF CRUDE OIL AND NATURAL GAS PRICES. Suncor's future financial performance is closely linked to oil prices, and to a lesser extent natural gas prices. The price of these commodities can be influenced by global and regional supply and demand factors. Worldwide economic growth, political developments, compliance or non-compliance with quotas imposed upon members of the Organization of Petroleum Exporting Countries and weather, among other things, can affect world oil supply and demand. Natural gas prices realized by Suncor are affected primarily by North American supply and demand and by prices of alternate sources of energy. All of these factors are beyond Suncor's control and can result in a high degree of price volatility not only in crude oil and natural gas prices, but also fluctuating price differentials between heavy and light grades of crude oil, which can impact prices for sour crude. In 2001, the heavy-light differential widened and reduced earnings. Management believes the differential will trend toward more historical levels in 2002 if the demand for heavy oil increases as anticipated. Oil and natural gas

prices have fluctuated widely in recent years and Suncor expects continued volatility and uncertainty in crude oil and natural gas prices. A prolonged period of low crude oil prices could affect the value of Suncor's crude oil and gas properties and the level of spending on development projects, and could result in curtailment of production at some properties, and accordingly could have an adverse impact on Suncor's financial condition and liquidity and results of operations. Suncor cannot control the factors that influence supply and demand or the prices of crude oil or natural gas.

Suncor cannot control the prices of crude oil or natural gas, or currency exchange rates. However, the Company has a hedging program that fixes the price of crude oil, and periodically, natural gas, and the associated exchange for a percentage of Suncor's total production volume. Suncor's objective is to lock-in prices on a portion of its future production today to reduce exposure to market volatility and ensure the Company's ability to finance growth. If an operational upset occurred that reduced or eliminated crude oil and/or natural gas production for a period of time, Suncor would be required to continue to make payments under its hedging program if the actual price was higher than the price hedged. For particulars of Suncor's hedging position as of year-end 2001, see Note 17 of Suncor's consolidated financial statements.

Suncor conducts an assessment of the carrying value of its assets to the extent required by Canadian general accepted accounting principles ("GAAP"). If crude oil and natural gas prices decline, the carrying value of Suncor's assets could be subject to downward revisions, and Suncor's earnings could be adversely affected.

RISK FACTORS RELATED TO FIREBAG AND VOYAGEUR PROJECTS. There are certain risks associated with the execution of the proposed Firebag In-Situ Oil Sands Project and Voyageur, including: regulatory approvals, schedule, resources and costs, including the availability and cost of materials, equipment and qualified labour; the impact of general economic, business and market conditions; the impact of weather conditions; Suncor's ability to finance Oil Sands growth if commodity prices were to stay at low levels for an extended period; the impact of new entrants to the oil sands business which could take the form of competition for skilled people, increased demands on the Fort McMurray, Alberta infrastructure (for example, housing, roads and schools), or price competition for products sold into the marketplace; the potential ceiling on the demand for synthetic crude oil; and the effect of changing standards of government regulation and public expectations in relation to the impact of oil sands development on the environment. The commissioning and integration of new facilities with the existing asset base could cause delays in achieving targeted production capacity. Suncor management believes the planned increases in Oil Sands production through these projects present issues that require prudent risk management.

RISKS ASSOCIATED WITH INTEGRATION OF PROJECT MILLENNIUM WITH BASE PLANT OPERATIONS. With Project Millennium commissioning complete by year-end 2001, the main risks to final Project Millennium execution are associated with integration of the new facilities with the existing asset base, particularly during the winter months where risks associated with weather are increased. These risks could cause unforeseen outages and costs, and delays in achieving full utilization of the combined production capacity of 225,000 barrels per day.

INCREASED DEPENDENCE ON OIL SANDS BUSINESS. The Company's significant capital commitment to further its growth projects at Oil Sands, including the Firebag In-Situ Oil Sands Project, and Voyageur if approved, may require Suncor to forego investment opportunities in other segments of its operations. The completion of Project Millennium, and the other future projects to increase production at Oil Sands, will substantially increase the Company's dependence on the Oil Sands segment of its business. For example, assuming achievement of Oil Sands' 2002 production target of 210,000 barrels per day, the Oil Sands business will account for approximately 86% of Suncor's upstream production in 2002 compared to 79% in 2001 and 74% in 2000.

RISKS ASSOCIATED WITH IN-SITU EXTRACTION. Current steam-assisted gravity drainage (SAGD) technologies for in-situ recovery of heavy oil and bitumen are energy intensive, requiring significant consumption of natural gas and other fuels to produce steam. Although there have been a number of SAGD technology

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pilot projects and several commercial scale projects are under development and are scheduled to be on production by the end of 2002, commercial application of this technology is not yet commonplace.

COMPETITION. The petroleum industry is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply, the acquisition of crude oil and gas interests, and the refining, distribution and marketing of petroleum products and chemicals. Suncor competes in virtually every aspect of its business with other energy companies. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers. Suncor offers custom blends of synthetic crude oil to meet specific customer demands. Suncor believes that the competition for its custom blended synthetic crude oil production is Canadian conventional and synthetic sweet and sour crude oil.

A number of other companies have entered or have indicated they are planning to enter the oil sands business and begin production of bitumen and synthetic crude oil, or expand existing operations. If all announced competing projects were to be built, they could quadruple Canada's production of bitumen and upgraded synthetic crude oil to more than two and half million barrels (400,000 cubic metres) per day by the end of the decade. The recent trend toward industry consolidation has created more competitors with financial capacity who may enter into similar and competing oil sands businesses. Expansion of existing operations and development of new projects could materially increase the supply of bitumen and synthetic crude oil and other competing crude oil products in the marketplace. Depending on the levels of future demand, increased supplies could have a negative impact on prices.

In the western Canadian diesel market demand and supply can fluctuate. Currently there is excess supply of diesel fuel and Suncor expects the market could be impacted by this excess supply and have a negative impact on margins. Margins for diesel are typically higher than the margins for synthetic and conventional crude oil. The above noted expansion plans of Suncor's competitors could also result in an increase in the supply of diesel and further weakening of margins.

Historically, the industry-wide oversupply of refined petroleum products and the overabundance of retail outlets have kept pressure on downstream margins. Management expects that fluctuations in demand for refined products, margin volatility and overall marketplace competitiveness will continue. In addition, as Suncor's downstream business unit, Sunoco, participates in new product markets, such as natural gas, it could be exposed to margin risk and volatility from either cost and/or selling price fluctuations.

NEED TO REPLACE CONVENTIONAL NATURAL GAS RESERVES. The future natural gas reserves and production of the Company's NG business unit and, therefore, both NG's cash flow from such production and Suncor's ability to maintain an internal hedge against growing consumption of natural gas in its Oil Sands and Sunoco operations, are highly dependent on its success in discovering or acquiring additional reserves and exploiting its current reserve base. Without natural gas reserve additions through exploration and development or acquisition activities, NG's conventional natural gas reserves and production will decline over time as reserves are depleted. For example, in 2001, Suncor's natural gas average reservoir decline rates were in the 28% range, consistent with industry experience. Decline rates will vary with the nature of the reservoir, life-cycle of the well, and other factors. Therefore past decline rates are not necessarily indicative of future performance. Exploring for, developing and acquiring reserves is highly capital intensive. To the extent cash flow from operations is insufficient to generate sufficient capital and external sources of capital become limited or unavailable, NG's ability to make the necessary capital investments to maintain and expand its conventional natural gas reserves could be impaired. In addition, NG's long term performance is dependent on its ability to consistently and competitively find and develop low cost, high-quality reserves that can be economically brought on stream. Market demand for land and services can also increase or decrease finding and development costs. There can be no assurance that Suncor will be able to find and develop or acquire additional reserves to replace production at acceptable costs.

RISKS RELATED TO COALBED METHANE. Coalbed Methane (CBM) exploration is being undertaken by Suncor in Canada and the U.S. through a wholly owned subsidiary, Suncor Energy (Natural Gas) America Inc. The identification of gas in coals is necessary but not sufficient for establishing commercial success.

Effective production technology, water handling, well productivity, requirement for large land blocks, and a pilot production period are risk elements unique to CBM. In Canada, CBM as a gas resource has not yet been proven commercial, and bears the additional risk that significant commercial production may require new technology or only be available in limited areas or at higher long term gas prices than currently exist.

CBM is a commercial gas resource in the U.S.. The risks associated with CBM activities in the U.S. vary by geographic region but can include: constraints on land access from federal, state and individual land holders; local opposition to well drilling and CBM development; high costs of treating water produced with CBM gas; limited regional pipeline exit capacity; and strong competition for mineral leases and services. The regulatory framework and stakeholder environment varies by region. The physical operation of drilling and ultimately producing gas in a location distant from Suncor's key management presents risks of inadequate oversight of operations. Business activity in the U.S. has different political risk than in Canada, and is conducted in an environment where litigation and legal risk are more prevalent and substantial.

OPERATING HAZARDS AND OTHER UNCERTAINTIES. Each of Suncor's three principal business units, Oil Sands, NG and Sunoco, require high levels of investment and have particular economic risks and opportunities. Generally, Suncor's operations are subject to hazards and risks such as fires, explosions, gaseous leaks, migration of harmful substances, blowouts and oil spills, any of which can cause personal injury, damage to property, equipment and the environment, as well as interrupt operations. In addition, all of Suncor's operations are subject to all of the risks normally incident to the transportation, processing and storing of crude oil, natural gas and other related products.

At Oil Sands, mining oil sand, extracting bitumen from the oil sand, and upgrading bitumen into synthetic crude oil and other products, involve particular risks and uncertainties. Oil Sands is susceptible to loss of production, slowdowns, or restrictions on its ability to produce higher value products due to the interdependence of its component systems. Severe climatic conditions at Oil Sands can cause reduced production and in some situations result in higher costs. While there is no finding cost associated with oil sands resources, the costs associated with production, including mine development and drilling of wells for SAGD operations, and the costs associated with upgrading bitumen into synthetic crude oil, can entail significant capital outlays. The costs associated with synthetic crude oil production at Oil Sands are largely fixed and, as a result, operating costs per unit are largely dependent on levels of production.

Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of western Canada. Certain aboriginal peoples have filed a claim against the government of Canada, certain governmental entities and the Regional Municipality of Wood Buffalo (which includes the city of Fort McMurray, Alberta), claiming, among other things, a declaration that the plaintiffs have aboriginal title to large areas of lands surrounding Fort McMurray, including the lands on which Oil Sands and most of the other oil sands operations in Alberta are situated. To Suncor's knowledge the aboriginal peoples have made no claims against Suncor and Suncor is unable to assess the effect, if any, the claim would have on its Oil Sands operations.

In Suncor's NG business unit, the risks and uncertainties associated with the exploration for, and the development, production, transportation and storage of crude oil, natural gas and natural gas liquids should not be underestimated or viewed as predictable. NG's operations are subject to all of the risks normally incident to drilling for natural gas wells, the operation and development of such properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents, sour gas releases, uncontrollable flows of crude oil, natural gas or well fluids, adverse weather conditions, pollution, and other environmental risks.

Suncor's downstream business unit, Sunoco, is subject to all of the risks normally incident to the operation of a refinery, terminals and other distribution facilities, as well as service stations, including loss of product or slowdowns due to equipment failures or other accidents.

Although Suncor maintains a risk management program, including an insurance component, such insurance may not provide adequate coverage in all circumstances, nor are all such risks insurable.

Losses resulting from the occurrence of these risks could have a material adverse impact on Suncor. Under the Company's business interruption insurance coverage, the Company would bear the first $U.S.260 million of any loss arising from a future insured incident at its Oil Sands operations.

In addition, there are risks associated with growth projects that rely largely or partly on new technologies and the incorporation of such technologies into new or existing operations. The success of projects incorporating new technologies, such as the Firebag In-Situ Oil Sands Project, cannot be assured.

There are also inherent risks, including political and foreign exchange risk, in investing in business ventures internationally. To date, Suncor does not have material international investments but is investigating coalbed methane opportunities in the United States. However, export sales in 2001 represented 15% of Suncor's 2001 consolidated revenue (2000 - 14%).

INTEREST RATE RISK. Suncor is exposed to fluctuations in short-term Canadian interest rates as a result of the use of floating rate debt. Suncor maintains a substantial portion of its debt capacity in revolving, floating rate bank facilities and commercial paper, with the remainder issued in fixed rate borrowings. To minimize its exposure to interest rate fluctuations, Suncor occasionally enters into interest rate swap agreements and exchange contracts to either effectively fix the interest rate on floating rate debt or to float the interest rate on fixed rate debt. For more details, see the "Liquidity and Capital Resources" section of MD&A.

EXCHANGE RATE FLUCTUATIONS. Suncor's consolidated financial statements are presented in Canadian dollars. Results of operations are affected by the exchange rates between the Canadian dollar and the U.S. dollar. These exchange rates have varied substantially in the last five years. A substantial portion of Suncor's revenue is received by reference to U.S. dollar denominated prices. Oil prices are generally set in U.S. dollars, while Suncor's sales of refined products are primarily in Canadian dollars. Fluctuations in exchange rates between the U.S. and Canadian dollar may therefore give rise to foreign currency exposure, either favorable or unfavorable, creating another element of uncertainty. In the future, the strength of the Canadian dollar relative to foreign currencies could create additional uncertainties for Suncor as it pursues its international growth plans.

ENVIRONMENTAL RISKS. Environmental legislation affects nearly all aspects of Suncor's operations. These regulatory regimes are laws of general application that apply to Suncor in the same manner as they apply to other companies and enterprises in the energy industry. The regulatory regimes require Suncor to obtain operating licenses and permits in order to operate, and impose certain standards and controls on activities relating to mining, oil and gas exploration, development and production, and the refining, distribution and marketing of petroleum products and petrochemicals. Environmental assessments and regulatory approvals are required before initiating most new major projects or undertaking significant changes to existing operations. In addition to these specific, known requirements, Suncor expects future changes to environmental legislation will likely impose further requirements on companies operating in the energy industry. Some of the issues include the possible cumulative impacts of oil sands development in the Athabasca region; storage, treatment, and disposal of hazardous or industrial waste, the need to reduce or stabilize various emissions, issues relating to global climate change including the potential impacts of government regulation; land reclamation and restoration; Great Lakes water quality; and reformulated gasoline to support lower vehicle emissions. Changes in environmental legislation could have a potentially adverse effect on Suncor from the standpoint of product demand, product reformulation and quality, methods of production and distribution and costs. For example, requirements for cleaner-burning fuels could cause additional costs to be incurred, which may or may not be recoverable in the marketplace. The complexity and breadth of these issues make it extremely difficult to predict their future impact on Suncor. Management anticipates capital expenditures and operating expenses could increase in the future as a result of the implementation of new and increasingly stringent environmental regulations. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties, liability for clean up costs and damages and the loss of important permits.

Suncor is required to and has posted annually with Alberta Environment an irrevocable letter of credit equal to $0.03 per bbl of crude oil produced ($15 million as at December 31, 2001) as security for the estimated cost of its reclamation activity on Leases 86 and 17, and the Steepbank Mine. For Project Millennium, Suncor has posted an irrevocable letter of credit equal to approximately $26 million, representing security for the estimated cost of reclamation activities relating to Project Millennium up to the end of January, 2002.

UNCERTAINTY OF RESERVE AND RESOURCE ESTIMATES. The reserve data and resource estimates for Suncor's Oil Sands and NG business units, included in Suncor's Annual Information Form, represent estimates only. There are numerous uncertainties inherent in estimating quantities and quality of these proved and probable reserves and other resources, including many factors beyond the control of Suncor.

In general, estimates of economically recoverable reserves are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effect of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. The accuracy of any reserve estimate is a matter of engineering interpretation and judgment and is a function of the quality and quantity of available data, which may have been gathered over time. In the Oil Sands business unit, reserve estimates are based upon a geological assessment, including drilling and laboratory tests, and also consider current production capacity and upgrading yields, current mine plans, operating life and regulatory constraints. The

Firebag reserves and resource estimates are based upon a geological assessment based upon the data gathered from evaluation drilling, the testing of core samples and seismic operations. In the NG business unit, reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward. For these reasons, estimates of the economically recoverable reserves attributable to any particular group of properties, and in NG the classification of such reserves based on risk of recovery prepared by different engineers or by the same engineers at different times, may vary substantially. At Oil Sands, the independent audit does not take into account the economic aspects of future reserves. Suncor's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from such estimates, and such variances could be material.

Certain information included in this annual information form to describe Suncor's reserves and resources, such as "probable reserves" and "resources", is prohibited in filings with the United States Securities and Exchange Commission by U.S. companies. The differences between Canadian and U.S. standards of reporting reserves and resources may make it difficult to compare Suncor's reserve and resource information with the reserve information of companies subject to the U.S. standards of reporting.

RISKS SPECIFICALLY RESPECTING SUNOCO. Sunoco's operations are sensitive to wholesale and retail margins for its refined products, including gasoline. Margin volatility is influenced by overall marketplace competitiveness, weather, the cost of crude oil (See "Volatility of Crude Oil and Natural Gas Prices.") and fluctuations in supply and demand for refined products. Sunoco expects that margin and price volatility and overall marketplace competitiveness will continue.

In 1999, the Canadian government passed legislation limiting sulphur levels in gasoline to an average of 150 parts per million (ppm) from mid-2002 to the end of 2004, and a maximum of 30 ppm by 2005. The Canadian refining industry faces significant capital spending to construct sulphur removal facilities to meet these requirements. In 2001 Sunoco finalized an investment plan to meet those limits. Capital spending to achieve compliance is expected to be approximately $40 million, and will involve the addition of a new desulphurization unit. Construction of the unit is planned for 2002 and 2003.

The federal government has proposed a regulation under the CANADIAN ENVIRONMENTAL PROTECTION ACT that will limit the level of sulphur in diesel fuel used in on-road vehicles to a maximum of 15 ppm. The proposed regulation is expected to come into effect in June 2006 for producers and importers, and in September 2006 for sellers. Regulations with respect to off-road diesel and light fuel oil are also expected. Sunoco continues to examine strategic options to comply with the pending regulations. Actual capital required to meet the new standards is subject to further development of such regulations and

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strategic assessment by Sunoco. The cost to comply with the sulphur-in-diesel limits could be significant but is not currently expected to place the Company at a competitive disadvantage.

LABOUR RELATIONS. Suncor's hourly employees at its Oil Sands facility near Fort McMurray and its Sarnia refinery are represented by a labour union and an employee association, respectively. Suncor's collective agreement with the Communications, Energy and Paperworkers Union Local 707 at Oil Sands was renegotiated in May 2001 for a three-year term. Any work interruptions involving

Suncor's employees, or contract trades utilized in its growth projects, could materially and adversely affect Suncor's business and financial position.

GOVERNMENTAL REGULATION. The oil and gas industry in Canada, including the oil sands industry and the downstream segment of the Company, operates under federal, provincial and municipal legislation. This industry is also subject to regulation and intervention by governments in such matters as land tenure, royalties, government fees, production rates, environmental protection controls, the export of crude oil, natural gas and other products, the awarding or acquisition of exploration and production, oil sands or other interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields and mine sites (including restrictions on production) and possibly expropriation or cancellation of contract rights. Before proceeding with most major projects, including significant changes to existing operations, Suncor must obtain regulatory approvals. The regulatory approval process can involve stakeholder consultation, environmental impact assessments and public hearings, among other things. In addition, regulatory approvals may be subject to conditions including security deposit obligations and other commitments. Failure to obtain regulatory approvals, or failure to obtain them on a timely basis, could result in delays, abandonment or restructuring of projects and increased costs, all of which could negatively affect future earnings and cash flow. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the crude oil and natural gas industry could reduce demand for crude oil and natural gas, increase Suncor's costs and have a material adverse affect on its financial condition.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information for each of the years in the three-year period ended December 31, 2001 is derived from Suncor's consolidated financial statements. The consolidated financial statements for each of the years in the three-year period ended December 31, 2001 have been audited by PricewaterhouseCoopers LLP, Chartered Accountants. Suncor's 2001 audited consolidated financial statements accompanied by the audit report of PricewaterhouseCoopers LLP for each of the years in the three-year period ended December 31, 2001. The information set forth below should be read in conjunction with the MD&A and Suncor's consolidated comparative financial statements and related notes.

	YEAR ENDED DECEMBE	
	2001	2000
	($ MILLIONS EXCEPT AMOUNTS)	
Revenues	3,995	3,388

Net earnings	388	377
Per common share(1) (undiluted)	1.63	1.58
Per common share(1) (diluted)	1.61	1.57
Cash flow provided from operations	831	958
Per common share(1)	3.52	4.11
Capital and exploration expenditures	1,678	1,998

	AS AT DECEMBER	
	2001	2000
		($ MILLION
Total assets	8,094	6,833
Long-term borrowings(2)	3,113	2,193
Accrued liabilities and other(3)	251	252
Common shareholders' equity(4)	2,263	1,958

Notes:

(1) Per share amounts for all years reflect a two-for-one share split in 2000 and payments on the preferred securities issued in 1999.

(2) Includes current portion.

(3) See Notes 12 and 13 to Suncor's 2001 Consolidated Financial Statements, which Notes are incorporated by reference herein.

(4) Excludes Preferred Securities issued in 1999. See Dividend Policy and Record.

DIVIDEND POLICY AND RECORD

Suncor's Board of Directors has established a policy of paying dividends on a quarterly basis. This policy is reviewed from time to time in light of Suncor's financial position, its financing requirements for growth, its cash flow and other factors considered relevant by Suncor's Board of Directors. A dividend of $0.085 per common share for the first quarter of 2002 has been declared, payable on March 25, 2002 to shareholders of record on March 15, 2002.

During 1999, the Company completed a Canadian offering of $276 million of 9.05% preferred securities and a U.S. offering of U.S.$162.5 million of 9.125% preferred securities, the proceeds of which totalled Canadian $507 million after issue costs of $17 million ($10 million after income tax credits of $7 million). The preferred securities are unsecured junior subordinated debt of the Company, due in 2048 and redeemable at the Company's option on or after March 15, 2004. Subject to certain conditions, the Company has the right to defer payment of interest on the securities for up to 20 consecutive quarterly periods. Deferred interest and principal amounts are payable in cash, or, at the option of the Company, from the proceeds on the sale of equity securities of the Company delivered to the trustee of the preferred securities. For accounting purposes, the preferred securities are classified as share capital in the consolidated balance sheet and the interest distributions thereon, net of income taxes, are classified as dividends.

The following table sets forth the per share amount of dividends paid by Suncor during the last three years.

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Common Shares			
Cash dividends(1)	$0.34	$0.34	$0.34
Preferred Securities			
Cash interest distributions	$0.21	$0.21	$0.17
Dividends paid in common shares	--	--	--

Note:

(1) Per share amounts for 2000 and 1999 have been adjusted to reflect a two-for-one share split in 2000.

FUTURE COMMITMENTS TO BUY, SELL, EXCHANGE OR TRANSPORT CRUDE OIL AND NATURAL GAS

In order to ensure continued availability of, and access to, transportation facilities for the crude oil and natural gas products of its Oil Sands and Natural Gas business units, the Company has entered into long-term contracts for pipeline capacity on various third party systems.

The Company's Oil Sands business unit has entered into a long-term commitment with Enbridge for the transportation of sour crude oil and bitumen from Suncor's oil sands plant near Ft. McMurray, Alberta, to Hardisty, Alberta. Particulars of that commitment are described under the heading "Operations" in the "Oil Sands" section of this Annual Information Form.

Natural gas product pipeline commitments are described in the following table:

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NATURE OF COMMITMENTS	TERM	VOLUME (MMCF/DAY)	AGGREGATE PRICE/COST	PRICE P CUB

			($ MILLIONS)
Natural gas pipeline commitments:			
Nova	1998-2008	**	30
Westcoast Energy	2001-2006	27	9
Foothills	1997-2003	16	1
Northern Border	1997-2003	14	5
Alberta Natural Gas	1991-2008	41	8
Pacific Gas Transmission	1995-2023	40	164

** volume varies on an annual basis

The Company's Natural Gas business has entered into numerous natural gas purchase and sale commitments, aggregating 90 mmcf/day and 180 mmcf/day, respectively. Purchase commitment terms vary from one to three years and pricing varies, representing a combination of fixed and index-based pricing. Sales commitments consist of both short- and long- term contracts ranging from one to eight years in duration, with varying pricing generally based on a combination of fixed and index-based terms.

Oil Sands has also entered into long-term contracts to sell crude oil products to customers, some of which are described under the heading, "Revenues from Synthetic Crude Oil and Diesel", in the "Oil Sands" section of this Annual Information Form. In addition, the Company enters into crude oil and foreign currency swap and option contract to protect its future Canadian dollar earnings and cash flows from the potential adverse impact of low petroleum prices and an unfavourable U.S./Canadian dollar exchange rates. For further particulars of these hedging arrangements, see the information under the heading "Hedging", under "Risk/Success Factors Affecting Performance" in the "Corporate" section of the Company's MD&A, incorporated by reference herein, and Note 17 to Suncor's 2001 Consolidated Financial Statements, which note is incorporated by reference herein.

Also see Note 14 to Suncor's 2001 Consolidated Financial Statements, which note is incorporated by reference herein, for a further description of the Company's operating commitments for 2002 and subsequent years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Suncor's MD&A is incorporated by reference into and forms an integral part of this Annual Information Form, and should be read in conjunction with the consolidated comparative financial statements and the notes thereto.

MARKET FOR THE SECURITIES OF THE ISSUER

The common shares of Suncor are listed on The Toronto Stock Exchange in Canada, and on the New York Stock Exchange in the United States. To the best of management's knowledge, approximately 50% of Suncor's common shares are beneficially held by residents of the United States. Suncor's 9.05% preferred securities are listed on The Toronto Stock Exchange in Canada, and Suncor's 9.125% preferred securities are listed on the New York Stock Exchange in the

United States.

DIRECTORS AND OFFICERS

As of the date hereof, Suncor's Board of Directors is comprised of eleven directors. The term of office of each director is from the date of the meeting at which he or she is elected or appointed until the next annual meeting of shareholders or until a successor is elected or appointed. The Board of Directors is required to have, and has, an Audit Committee. The Board of Directors also has a Board Policy, Strategy Review and Governance Committee, a Human Resources and Compensation Committee, and an Environment, Health and Safety Committee.

The following table sets out certain information with respect to Suncor's directors.

NAME AND MUNICIPALITY OF RESIDENCE	PERIODS OF SERVICE AS A DIRECTOR	PRINCIPAL OCCUPATION OR EMPLOYMENT, AND MAJOR POSITIONS AND OFFICES IN THE LAST FIVE YEARS	VOTING S SUNCOR B OWNED O CONTROL IS EXER FEBRUARY
Mel Benson(2) (5) Calgary, Alberta	April 19, 2000 to Present	Management Services Consultant	2,565 Co 367 Def Un
Brian A. Canfield(2)(4) Point Roberts, Washington	November 10, 1995 to Present	Chairman TELUS Corporation (a telecommunications company)	6,000 Co 3,770 De Un
Bryan P. Davies(2)(5) Etobicoke, Ontario	January 28, 1991 to April 23, 1996 April 19, 2000 to Present	Senior Vice President, Regulatory Affairs, Royal Bank of Canada (a chartered banking institution)	6,200 Co 1,644 De Un
John T. Ferguson(5)(6) Edmonton, Alberta	November 10, 1995 to Present	Chairman, Princeton Developments Ltd. (a real estate development company), Chair of the Board, TransAlta Corporation (an electric utility company)	8,374 Co 1,955 De Un

NAME AND MUNICIPALITY OF RESIDENCE	PERIODS OF SERVICE AS A DIRECTOR	PRINCIPAL OCCUPATION OR EMPLOYMENT, AND MAJOR POSITIONS AND OFFICES IN THE LAST FIVE YEARS	VOTING S SUNCOR B OWNED O CONTROL IS EXER FEBRUARY
Richard L. George(6) Calgary, Alberta	February 1, 1991 to Present	President and Chief Executive Officer, Suncor Energy Inc.(7)	99,277 C
Poul Hansen(2)(5)(9) Vancouver, British Columbia	April 23, 1996 to Present	Chairman and General Manager, Sperling Hansen Associates Inc. (an environmental engineering consulting company)	7,291 Co
John R. Huff(4)(6) Houston, Texas	January 30, 1998 to Present	Chairman and Chief Executive Officer, Oceaneering International, Inc. (an oilfield services company)	10,354 C 4,047 De Un
Robert W. Korthals(5)(6)(8) Toronto, Ontario	April 23, 1996 to Present	Corporate Director	8,000 Co 3,343 De Uni
M. Ann McCaig(2)(4) Calgary, Alberta	October 1, 1995 to Present	President, VPI Investments Ltd. (a private investment holding company)	5,144 Co 4,227 De Un
JR Shaw(4)(6) Calgary, Alberta	January 30, 1998 to Present	Executive Chair, Shaw Communications Inc. (a diversified communications company); Chairman of the Board of Directors of Suncor Energy Inc.	41,600 C 6,234 De Un

NAME AND MUNICIPALITY OF RESIDENCE	PERIODS OF SERVICE AS A DIRECTOR	PRINCIPAL OCCUPATION OR EMPLOYMENT, AND MAJOR POSITIONS AND OFFICES IN THE LAST FIVE YEARS	VOTING S SUNCOR B OWNED O CONTROL IS EXER FEBRUARY
W. Robert Wyman(4)(6)(9) West Vancouver, British Columbia	November 25, 1987 to Present	Retired Chairman of the Board of Directors of Suncor Energy Inc.	32,400 C 4,138 De Un

Notes:

(1) The information relating to holdings of Common Shares, not being within the knowledge of Suncor, has been furnished by the respective nominees individually. Fractional Common Shares have been excluded from the numbers shown. Certain of the Common Shares held by Mr. George, Mr. Hansen and Mr. Shaw are held jointly with their respective spouses. The number of Common Shares held by Mr. George includes 82,486 Common Shares over which he exercises control or direction but which are beneficially owned by members of his family. Certain Common Shares held by Mr. Benson (400) and Mr. Shaw (1,000) are beneficially owned by their respective spouses, but they respectively exercise control or direction over such shares.

(2) Member of the Environment, Health and Safety Committee.

(3) Deferred Share Units (DSU's) are not voting securities but are included for informational purposes as they are Common Share equivalents.

(4) Member of the Human Resources and Compensation Committee.

(5) Member of the Audit Committee.

(6) Member of the Board Policy, Strategy Review and Governance Committee.

(7) Mr. George also serves as director and/or officer of certain subsidiaries of Suncor.

(8) In 1998, Mr. Korthals was a director of Anvil Range Mining Corporation, which sought protection under the COMPANIES CREDITORS ARRANGEMENT ACT (Canada).

(9) Retiring from the Board in April 2002.

Each of the nominees has been engaged in the principal occupation (or in other executive capacities for the same, affiliated or predecessor entities) indicated above for the past five years, except for Mr. Benson, who from 1996 to 2000 was the Senior Operations Advisor, African Development, Exxon Co. International, Mr. Shaw, who became the Chairman of the Board of Suncor in 2001 and Mr. Wyman, who in 1999 and prior thereto was Vice Chairman of the Board of Directors of Fletcher Challenge Canada Limited.

The following are officers of the Corporation. Except where otherwise indicated, the persons named in the table below held the offices set out opposite their respective names as at December 31, 2001 and as of the date hereof.

NAME AND MUNICIPALITY OF RESIDENCE	OFFICE(1)
JR SHAW Calgary, Alberta	Chairman of the Board
RICHARD L. GEORGE Calgary, Alberta	President and Chief Executive Offic
M.M. (MIKE) ASHAR Fort McMurray, Alberta	Executive Vice President, Oil Sands
DAVID W. BYLER M.D. of Rockyview, Alberta	Executive Vice President, Natural G Energy
MICHAEL W. O'BRIEN Canmore, Alberta	Executive Vice President, Corporate Chief Financial Officer
THOMAS L. RYLEY Toronto, Ontario	Executive Vice President, Sunoco
TERRENCE J. HOPWOOD Calgary, Alberta	Senior Vice President and General C
SUE LEE Calgary, Alberta	Senior Vice President, Human Resour Communications
KEVIN NABHOLZ Fort McMurray, Alberta	Senior Vice President, Major Projec
J. KENNETH ALLEY Calgary, Alberta	Vice.President, Finance
JANICE B. ODEGAARD Calgary, Alberta	Vice.President, Associate General C Corporate Secretary

Note:

(1) The principal occupation of each officer is the specified office with Suncor except Mr. Shaw, who is also Executive Chair of Shaw Communications Inc.

All of the foregoing officers of the Company have, for the past five years, been actively engaged as executives or employees of Suncor or its affiliates, except Mr. Shaw, as described in Note (1) to the above table.

The percentage of Common Shares of Suncor owned beneficially, directly or indirectly, or over which control or direction is exercised by Suncor's directors and senior officers, as a group, is less than 1%.

ADDITIONAL INFORMATION

Copies of the documents set out below may be obtained without charge by any person upon request to the Company at 112 - 4 Avenue S.W., Calgary, Alberta, T2P 2V5, by calling 1-800-558-9071, by e-mail request to info@suncor.com.

(i) The current Suncor Annual Information Form together with any pertinent information incorporated by reference therein;

(ii) The current Suncor comparative financial statements for the most recently completed financial

year and the report of the auditors relating thereto, together with any subsequent interim financial statements;

(iii) Suncor's management proxy circular in respect of its most recent annual meeting of shareholders that involved the election of directors; and

(iv) Any other documents incorporated by reference into Suncor's most recent preliminary short form prospectus or short form prospectus if securities of Suncor are in the course of distribution pursuant to such documents.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Suncor's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in Suncor's most recent management proxy circular for its most recent annual meeting of its shareholders that involved the election of directors. Additional financial information is provided in Suncor's comparative financial statements for its most recently completed financial year.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. UNDERTAKING

Suncor Energy Inc. (the "Registrant") undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Securities and Exchange Commission ("SEC"), and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

B. CONSENT TO SERVICE OF PROCESS

The Registrant has filed previously with the SEC a Form F-X in connection with the Common Shares.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUNCOR ENERGY INC.

Date: March 28, 2002

BY: "DAVID W. BYLER"

DAVID W. BYLER
Executive Vice President, Natural Gas and Renewable Energy

EXHIBIT INDEX

EXHIBIT	DESCRIPTION OF EXHIBIT
EXHIBIT 1	Reconciliation to U.S. GAAP
EXHIBIT 2	Audited Consolidated Financial Statements of Suncor Energy Inc. for fiscal year ended December 31, 2001
EXHIBIT 3	Management's Discussion and Analysis for the fiscal year ended December 2001, dated February 28, 2002
EXHIBIT 4	Excerpt from pages 69 and 70 of Suncor Energy Inc.'s 2001 Annual Report Shareholders
EXHIBIT 5	Consent of PricewaterhouseCoopers LLP
EXHIBIT 6	Consent of Gilbert Laustsen Jung Associates Ltd.

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80,000

—

—

115,000

Audit Committee

—

25,000

12,500

—

Compensation Committee

—

20,000

7,500

—

Governance / Nominating Committee

—

12,000

5,000

—

Investment Committee

—

10,000

2,500

—

Risk Committee

—

20,000

7,500

—

Lead Independent Director (1)

—

20,000

—

20,000

(1) The Lead Independent Director had the choice to receive the $40,000 retainer as 100% cash or 50% cash and 50% equity. For 2018, the Lead Independent Director chose the cash / equity alternative, which resulted in an additional equity award of 104 shares.

In August 2018, we granted 598 shares of restricted stock to each non-employee director. The shares are scheduled to vest over the duration of the non-employee directors' service year: one-half of the award vested on November 30, 2018 and the balance is scheduled to vest on May 31, 2019. The number of shares of restricted stock granted was determined on the grant date by dividing the equity grant value of $115,000 by $192.43, the average of the closing price of our Common Stock for the ten trading days up to and including the grant date. We expect to continue to compensate our non-employee directors with a combination of cash and equity awards. All equity awards to non-employee directors are made under the Company's 2012 Incentive Plan.

Below is a summary of the amount and form of actual compensation received by each non-employee director in 2018 (excluding directors appointed in 2019):

Director Compensation for Fiscal 2018				
Name	Fees Earned or Paid in Cash (1)	Stock Awards ($)(2)	All Other Compensation ($)(3)	Total($)
Stephen P. Casper, Lead Independent Director	111,250	130,733	509	242,492
Steven L. Begleiter	92,708	111,366	126	204,200
Jane Chwick	103,333	111,366	429	215,128
William F. Cruger	103,389	111,366	429	215,184
David G. Gomach	102,222	111,366	429	214,017
Carlos M. Hernandez	82,500	111,366	126	193,992
Richard Ketchum	90,625	111,366	477	202,468
Emily Portney	85,625	111,366	520	197,511
John Steinhardt	107,778	111,366	429	219,573
James J. Sullivan	90,000	111,366	429	111,795

(1) The amounts represent Board and Committee retainers as well as adjustments for meeting fees paid in 2017 to Messrs. Cruger, Gomach and Steinhardt.

(2) The amounts represent the aggregate grant date fair value of stock awards granted by the Company in 2018, computed in accordance with FASB ASC Topic 718. For further information on how we account for stock based compensation, see Note 9 to the consolidated financial statement included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

(3) Mr. Casper received $20,000 of his retainer for being Lead Independent Director in shares, resulting in additional dividends of $80.34. Messrs. Begleiter and Hernandez deferred receipt of their August 2017 equity awards and related dividends. Therefore, each deferred $303.03 of dividends through May 2018. Mr. Ketchum and Ms. Portney each received an additional equity award in 2017 in consideration of their partial year of service as a director prior to the annual meeting. Therefore, they were paid additional dividends of $47.97 and $91.26, respectively in 2018 when the shares vested.

(4) The table below sets forth information regarding the aggregate number of unvested stock awards and the aggregate number of option awards outstanding at the end of fiscal year 2018 for each non-employee director and does not include directors appointed in 2019. All options are vested. In addition to RSU amounts in the table below, Messrs. Begleiter, Cruger and Hernandez and Ms. Chwick each previously elected to defer receipt of RSUs.

Equity Awards Outstanding	Aggregate Number of Unvested Stock Awards Outstanding at Fiscal Year End (#)	Aggregate Number of Option Awards Outstanding at Fiscal Year End (#)
Stephen P. Casper, Lead Independent Director	351	3,187
Steven L. Begleiter	817	—
Jane Chwick	1,271	—
William F. Cruger	1,271	—
David G. Gomach	299	3,187
Carlos M. Hernandez	817	3,187
Richard Ketchum	299	—
Emily Portney	299	—
John Steinhardt	299	3,187
James J. Sullivan	299	—

Share Ownership & Holding Guidelines

To better align the interests of non-employee directors and stockholders, the Board of Directors has adopted stock ownership guidelines for our non-employee directors. In July 2017, the Board increased the holding requirement to require that non-employee directors hold not less than the number of shares of Common Stock equal in value to four times the annual base cash retainer payable to a director, or $320,000. As of April 2019, the holding requirement was equal to 1,538 shares, calculated using a price of $208.07 per share, which was the average of the daily closing price of our Common Stock for the twelve-month period ended on March 31, 2019. This new calculation method was implemented by the Board in April 2018 and is intended to moderate the variability of the stock price. The holding requirement must be achieved within five years after the director has become a Board member and maintained throughout the non-employee director's service with the Company. All shares of Common Stock beneficially owned by the director, including shares purchased and held personally, vested and unvested restricted shares, vested and unvested restricted stock units, settled performance shares, and shares deferred under a non-qualified deferred compensation arrangement, count toward the minimum ownership requirement. Vested and unvested stock options and unearned performance shares are excluded.

In addition to the ownership guidelines, all non-employee directors must hold all shares granted for service for a minimum of five years from the date of grant, and a non-employee director must hold no less than 50% of the total number of shares granted for service until they retire from the Board. Directors are also required, for a period of six months following his or her departure from the Board, to comply with the Company's Insider Trading Policy that, among other things, prohibits trading in the Company's securities during specified blackout periods.

All of our non-employee directors have either achieved the designated level of ownership or are in the five-year period following their appointment or election to the Board during which they are expected to achieve compliance:

Directors' Stock Ownership			
		Multiple of Cash Retainer	
Name	Appointed	Requirement	Current Holdings
Stephen P. Casper, Lead Independent Director	April 2004	4x	140x
Steven L. Begleiter	April 2012	4x	22x
Jane Chwick	October 2013	4x	14x
William F. Cruger	November 2013	4x	14x
David G. Gomach	February 2005	4x	50x
Carlos M. Hernandez	February 2006	4x	53x
Richard Ketchum	April 2017	4x	3x
Emily Portney	October 2017	4x	2x
John Steinhardt	April 2000	4x	56x
James J. Sullivan	March 2012	4x	22x

The preceding chart does not include directors appointed in 2019.

Our equity plan provides for the accrual of dividends (or dividend equivalents) on unvested shares. However, dividends are not paid and are subject to forfeiture until all restrictions on the shares have lapsed.

We do not provide any retirement benefits or other perquisites to our non-employee directors.

PROPOSAL 2 — RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board has appointed the firm of PricewaterhouseCoopers LLP ("PwC") as our independent registered public accounting firm to audit our consolidated financial statements for the year ending December 31, 2019, and the Board is asking stockholders to ratify that selection. Although current law, rules and regulations, as well as the charter of the Audit Committee, require our independent registered public accounting firm to be engaged, retained and supervised by the Audit Committee, the Board considers the selection of our independent registered public accounting firm to be an important matter of stockholder concern and considers a proposal for stockholders to ratify such selection to be an important opportunity for stockholders to provide direct feedback to the Board on an important issue of corporate governance. In the event that stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain PwC, but may ultimately determine to retain PwC as our independent registered public accounting firm. Even if the appointment is ratified, the Audit Committee, in its sole discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and its stockholders.

Your vote

Unless proxy cards are otherwise marked, the persons named as proxies will vote FOR the ratification of PwC as the Company's independent registered public accounting firm for the year ending December 31, 2019. Approval of this proposal requires the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal.

Board recommendation

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" RATIFICATION OF PWC AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2019.

Information about our independent registered public accounting firm

PwC has audited our consolidated financial statements each year since our formation in 2000. Representatives of PwC will be present at our Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions from stockholders.

In 2011, the Company, in the ordinary course of its business, entered into a bulk data agreement with PwC for the purpose of supporting valuation conclusions reached by PwC in the normal course of PwC's audit and other work for its clients. Pursuant to the agreement, the Company provides bond pricing data to PwC on terms consistent with the terms of similar data sales agreements entered into by the Company. The aggregate annual revenue to the Company from the data agreement is $235,000. On an annual basis, the Audit Committee evaluates the effect of such agreement on the independence of PwC and has concurred with the opinion of the Company's management and PwC that the arrangement constitutes an "arm's-length" transaction that would not affect PwC's independence.

Audit and other fees

The aggregate fees billed by our independent registered public accounting firm for professional services rendered in connection with the audit of our annual financial statements set forth in our Annual Report on Form 10-K for the years ended December 31, 2018 and 2017 and the audit of our broker-dealer subsidiaries' annual financial statements, as well as fees paid to PwC for tax compliance and planning, if any, and other services, are set forth below.

Except as set forth in the following sentence, the Audit Committee, or a designated member thereof, pre-approves 100% of all audit, audit-related, tax and other services rendered by PwC to the Company or its subsidiaries. The Audit Committee has authorized the CEO and the Chief Financial Officer to purchase permitted non-audit services rendered by PwC to the Company or its subsidiaries up to, and including, a limit of $10,000 per service and an annual aggregate limit of $20,000 for all such services.

Immediately following the completion of each fiscal year, the Company's independent registered public accounting firm shall submit to the Audit Committee (and the Audit Committee shall request from the independent registered public accounting firm), as soon as possible, a formal written statement describing: (i) the independent registered public accounting firm's internal quality-control procedures; and (ii) all relationships between the independent registered public accounting firm and the Company, including at least the matters set forth in Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), in order to assess the independent registered public accounting firm's independence.

Immediately following the completion of each fiscal year, the independent registered public accounting firm also shall submit to the Audit Committee (and the Audit Committee shall request from the independent registered public accounting firm), a formal written statement of the fees billed by the independent registered public accounting firm to the Company in each of the last two fiscal years for each of the following categories of services rendered by the independent registered public accounting firm: (i) the audit of the Company's annual financial statements and the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q or services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements; (ii) assurance and related services not included in clause (i) that are reasonably related to the performance of the audit or review of the Company's financial statements, in the aggregate and by each service; (iii) tax compliance, tax advice and tax planning services, in the aggregate and by each service; and (iv) all other products and services rendered by the independent registered public accounting firm, in the aggregate and by each service.

Set forth below is information regarding fees paid by the Company to PwC during the fiscal years ended December 31, 2018 and 2017.

Fee Category	2018	2017
Audit Fees(1)	$1,712,650	$1,718,650
All Other Fees(2)	5,197	3,593
Total	$1,717,847	$1,722,243

(1) The aggregate fees incurred include amounts for the audit of the Company's consolidated financial statements (including fees for the audit of our internal controls over financial reporting) and the audit of our broker-dealer subsidiaries' annual financial statements.

(2) Other Fees are comprised of annual subscription fees for accounting related research and service fees related to XBRL conversion services.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee currently consists of Mr. Gomach (Chair), Mr. Casper and Mr. Cruger. Each member of the Audit Committee is independent, as independence is defined for purposes of Audit Committee membership by the listing standards of NASDAQ and the applicable rules and regulations of the SEC. The Board has determined that each member of the Audit Committee is financially literate, in other words, is able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, as required by NASDAQ rules. In addition, the Board has determined that each member of the Audit Committee satisfies the NASDAQ rule requiring that at least one member of our Board's Audit Committee have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the member's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The Board has also determined that each member of the Audit Committee is a "financial expert" as defined by the SEC.

The Audit Committee appoints our independent registered public accounting firm, reviews the plan for and the results of the independent audit, approves the fees of our independent registered public accounting firm, reviews with management and the independent registered public accounting firm our quarterly and annual financial statements and our internal accounting, financial and disclosure controls, reviews and approves transactions between the Company and its officers, directors and affiliates, and performs other duties and responsibilities as set forth in a charter approved by the Board of Directors. A copy of the Audit Committee charter is available in the Investor Relations — Corporate Governance section of the Company's website.

During fiscal year 2018, the Audit Committee met five times. The Company's senior financial management and independent registered public accounting firm were in attendance at such meetings. Following each quarterly meeting during 2018, the Audit Committee conducted a private session with the independent registered public accounting firm, without the presence of management. The Audit Committee also had one joint meeting with the Risk Committee during 2018.

The management of the Company is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on the Company's senior management, including particularly its senior financial management, to prepare financial statements with integrity and objectivity and in accordance with generally accepted accounting principles, and relies upon the Company's independent registered public accounting firm to review or audit, as applicable, such financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB").

We have reviewed and discussed with senior management the Company's audited financial statements for the year ended December 31, 2018 which are included in the Company's 2018 Annual Report on Form 10-K. Management has confirmed to us that such financial statements (i) have been prepared with integrity and objectivity and are the responsibility of management and (ii) have been prepared in conformity with generally accepted accounting principles.

In discharging our oversight responsibility as to the audit process, we have discussed with PwC, the Company's independent registered public accounting firm, the matters required to be discussed by PCAOB AS 1301 Communication with Audit Committees, as currently in effect, which requires our independent registered public accounting firm to provide us with additional information regarding the scope and results of their audit of the Company's financial statements, including: (i) their responsibilities under generally accepted auditing standards, (ii) significant accounting policies, (iii) management judgments and estimates, (iv) any significant accounting adjustments, (v) any disagreements with management and (vi) any difficulties encountered in performing the audit.

We have received the written disclosures from PwC concerning their independence, as required by applicable requirements of the PCAOB, and we have discussed with PwC their independence.

Based upon the foregoing review and discussions with our independent registered public accounting firm and senior management of the Company, we have recommended to our Board that the financial statements prepared by the Company's management and audited by its independent registered public accounting firm be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, for filing with the SEC. The Committee also has appointed PwC as the Company's independent registered public accounting firm for the year ending December 31, 2019.

As specified in its Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. These are the responsibilities of the Company's management and independent registered public accounting firm. In discharging our duties as a Committee, we have relied on (i) management's representations to us that the financial statements prepared by management have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles and (ii) the report of the Company's independent registered public accounting firm with respect to such financial statements.

Submitted by the Audit Committee of the
Board of Directors:

David G. Gomach — Chair
Stephen P. Casper
William F. Cruger

PROPOSAL 3 — ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules of the SEC (the "Dodd-Frank Act")), the Company is providing its stockholders the opportunity to cast an advisory vote to approve the compensation of its named executive officers. This proposal, commonly known as a "say-on-pay" proposal, gives the Company's stockholders the opportunity to express their views on the named executive officers' compensation. We will include an advisory vote on executive compensation on an annual basis at least until the next shareholder advisory vote on the frequency of such votes.

As described in detail in the Compensation Discussion and Analysis below, the Company's named executive officer compensation program is designed to attract, reward and retain the caliber of officers needed to ensure the Company's continued growth and profitability. The primary objectives of the program are to:

- align and reward Company and individual performance and decision-making with stockholder value creation and prudent risk management;
- drive long-term growth objectives, thereby creating long-term value for our stockholders; and
- provide rewards that are cost-efficient, equitable to our named executive officers and stockholders, and competitive with organizations that compete for executives with similar skill sets, thereby encouraging high-potential individuals with significant and unique market experience to build a career at the Company.

The Company seeks to accomplish these goals in a manner that is aligned with the long-term interests of the Company's stockholders. The Company believes that its named executive officer compensation program achieves this goal with its emphasis on long-term equity awards and performance-based compensation, in addition to short-term (annual) incentive awards, specifically cash incentives, which has enabled the Company to successfully motivate and reward its named executive officers. The Company believes that its ability to retain its current high-performing team of seasoned executive officers is critical to its continuing financial success and that its focus on the long-term interests of its named executive officers aligns with the interests of its stockholders.

For these reasons, the Board recommends a vote in favor of the following resolution:

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed in the Company's proxy statement for the 2019 Annual Meeting, pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED."

As an advisory vote, this proposal is not binding upon the Company, our Board or our Compensation Committee. Notwithstanding the advisory nature of this vote, our Board and the Compensation Committee, which is responsible for designing and administering the Company's named executive officer compensation program, value the opinions expressed by stockholders in their vote on this proposal, and will consider the outcome of the vote when making future compensation decisions for named executive officers. The affirmative vote of the holders of a majority of the outstanding shares of Common Stock present in person or represented by proxy and entitled to vote is required to approve this Proposal 3.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of April 8, 2019 by (i) each person or group of persons known by us to beneficially own more than five percent of our Common Stock, (ii) each of our named executive officers, (iii) each of our directors and nominees for director and (iv) all of our directors and executive officers as a group.

The following table gives effect to the shares of Common Stock issuable within 60 days of April 8, 2019 upon the exercise of all options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with Rule 13d-3 promulgated under Section 13 of the Securities Exchange Act of 1934, as amended, and includes voting and investment power with respect to shares. Percentage of beneficial ownership is based on 37,251,666 shares of Common Stock outstanding at the close of business on April 8, 2019. Except as otherwise noted below, each person or entity named in the following table has sole voting and investment power with respect to all shares of our Common Stock that he, she or it beneficially owns.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o MarketAxess Holdings Inc., 55 Hudson Yards, 15th Floor, New York, New York 10001.

	Number of Shares Beneficially Owned	Percentage of Stock Owned	
5% Stockholders			
Baillie Gifford & Co (1)	4,018,282	10.79	%
BlackRock, Inc. (2)	3,479,464	9.34	%
The Vanguard Group (3)	3,612,590	9.70	%
T. Rowe Price Associates, Inc. (4)	2,206,014	5.92	%
Named Executive Officers and Directors			
Richard M. McVey (5)	921,537	2.46	%
Nancy Altobello (6)	—	*	
Steven Begleiter (7)	7,811	*	
Stephen P. Casper (8)	57,097	*	
Jane Chwick (9)	4,343	*	
Christopher Concannon (10)	—	*	
William F. Cruger (11)	4,330	*	
David G. Gomach (12)	19,059	*	
Carlos M. Hernandez (13)	23,148	*	
John Steinhardt (14)	21,712	*	
James Sullivan (15)	8,038	*	
Richard G. Ketchum (16)	1,198	*	
Emily H. Portney (17)	935	*	
Antonio L. DeLise (18)	16,658	*	
Kevin McPherson (19)	79,996	*	
Christophe Roupie (20)	7,867	*	

Nicholas Themelis (21)	46,309	*
All Executive Officers and Directors as a Group (17 persons)(22)	1,220,038	—

*Less than 1%.

(1) Information regarding the number of shares beneficially owned by Baillie Gifford & Co was obtained from a Schedule 13G filed by Baillie Gifford & Co with the SEC on January 15, 2019. The principal business address of Baillie Gifford & Co is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. Scotland, UK.

(2) Information regarding the number of shares beneficially owned by BlackRock, Inc. was obtained from a Schedule 13G filed by BlackRock, Inc. with the SEC on February 6, 2019. The principal business address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(3) Information regarding the number of shares beneficially owned by The Vanguard Group was obtained from a Schedule 13G filed by The Vanguard Group with the SEC on February 11, 2019. The principal business address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

(4) Information regarding the number of shares beneficially owned by T. Rowe Price Associates, Inc. was obtained from a Schedule 13G filed by T. Rowe Price Associates, Inc. with the SEC on February 14, 2019. The principal business address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, MD 21202.

(5) Consists of (i) 612,165 shares of Common Stock owned individually; (ii) 2,000 shares of Common Stock owned by immediate family members; (iii) 66,809 shares of unvested restricted stock; and (iv) 240,563 shares of Common Stock issuable pursuant to stock options granted to Mr. McVey that are or become exercisable within 60 days. Does not include (i) 207,275 shares of Common Stock issuable pursuant to stock options that are not exercisable within 60 days, (ii) 327,215 restricted stock units that are unvested and deferred restricted stock units or (iii) 42,913 performance shares.
(6) Ms. Altobello became a director as of April 16, 2019 and did not own shares as of April 8, 2019.
(7) Consists of (i) 7,512 shares of Common Stock owned individual; and (ii) 299 shares of unvested restricted stock. Does not include 518 deferred restricted stock units.
(8) Consists of (i) 9,751 shares of Common Stock owned individually; (ii) 43,808 shares held indirectly in a trust for which Mr. Casper's spouse is the trustee; (iii) 351 shares of unvested restricted stock; and (iv) 3,187 shares of Common Stock issuable pursuant to stock options that are or become exercisable within 60 days.
(9) Consists of (i) 4,044 shares of Common Stock owned individually; and (ii) 299 shares of unvested restricted stock. Does not include 972 deferred restricted stock units.
(10) Does not include (i) 76,868 shares of Common Stock issuable pursuant to stock options that are not exercisable within 60 days; (ii) 27,995 restricted stock units that are unvested; or (iii) 18,914 performance shares.
(11) Consists of (i) 4,031 shares of Common Stock owned individually; and (ii) 299 shares of unvested restricted stock. Does not include 972 deferred restricted stock units.
(12) Consists of (i) 18,760 shares of Common Stock owned individually; and (ii) 299 shares of unvested restricted stock. All shares of Common Stock, other than unvested restricted stock, are held indirectly in a trust for which Mr. Gomach is trustee.
(13) Consists of (i) 19,662 shares of Common Stock owned individually; (ii) 299 shares of unvested restricted stock; and (iii) 3,187 shares of Common Stock issuable pursuant to stock options that are or become exercisable within 60 days. Does not include 518 deferred restricted stock units.
(14) Consists of (i) 21,413 shares of Common Stock owned individually; and (ii) 299 shares of unvested restricted stock.
(15) Consists of (i) 7,739 shares of Common Stock owned individually; and (ii) 299 shares of unvested restricted stock.
(16) Consists of (i) 899 shares of Common Stock owned individually; and (ii) 299 shares of unvested restricted stock.
(17) Consists of (i) 636 shares of Common Stock owned individually; and (ii) 299 shares of unvested restricted stock.
(18) Consists of (i) 6,589 shares of Common Stock; (ii) 8,179 shares of unvested restricted stock; and (iii) 1,890 shares of Common Stock issuable pursuant to stock options that are or become exercisable within 60 days. Does not include (i) 17,051 shares of Common Stock issuable pursuant to stock options that are not exercisable within 60 days; (ii) 29,489 restricted stock units that are unvested and deferred restricted stock units or (iii) 551 performance shares.
(19) Consists of (i) 69,075 shares of Common Stock; and (ii) 10,921 shares of unvested restricted stock. Does not include (i) 22,388 shares of Common Stock issuable pursuant to stock options that are not exercisable within 60 days; (ii) 9,321 restricted stock units that are unvested and deferred restricted stock units or (iii) 495 performance shares.
(20) Consists of (i) 133 shares of Common Stock; and (ii) 7,734 shares of unvested restricted stock. Does not include 4,667 performance shares.
(21) Consists of (i) 30,148 shares of Common Stock owned in joint tenancy with his spouse; (ii) 13,595 shares of unvested restricted stock; and (iii) 2,566 shares of Common Stock issuable pursuant to stock options that are or become exercisable within 60 days. Does not include (i) 28,129 shares of Common Stock issuable pursuant to stock options that are not exercisable within 60 days; (ii) 11,310 restricted stock units that are unvested or (iii) 601 performance shares.
(22) Consists of (i) 858,233 shares of Common Stock; (ii) 110,280 shares of unvested restricted stock; and (iii) 251,393 shares of Common Stock issuable pursuant to stock options that are or become exercisable within 60 days. Does not include (i) 351,711 shares of Common Stock issuable pursuant to stock options that are not

exercisable within 60 days; (ii) 408,310 restricted stock units that are unvested or (iii) 68,141 performance shares.

EXECUTIVE OFFICERS

Set forth below is information concerning our executive officers as of April 8, 2019.

Name	Age	Position
Richard M. McVey	59	Chief Executive Officer and Chairman of the Board of Directors
Christopher R. Concannon	51	President and Chief Operating Officer
Antonio L. DeLise	57	Chief Financial Officer
Kevin McPherson	48	Global Head of Sales
Christophe Roupie	53	Head of Europe and Asia
Nicholas Themelis	55	Chief Information Officer

Richard M. McVey has been Chief Executive Officer and Chairman of our Board of Directors since our inception. See Proposal 1 — Election of Directors — Director information for a discussion of Mr. McVey's business experience.

Christopher R. Concannon has been President and Chief Operating Officer, and a member of the Board of Directors, since January 2019. See Proposal 1 — Election of Directors — Director information for a discussion of Mr. Concannon's business experience.

Antonio L. DeLise has been Chief Financial Officer since March 2010. From July 2006 until March 2010, Mr. DeLise was the Company's Head of Finance and Accounting, where he was responsible for financial regulatory compliance and oversight of all controllership and accounting functions. Prior to joining us, Mr. DeLise was Chief Financial Officer of PubliCard, Inc., a designer of smart card solutions for educational and corporate sites, from April 1995 to July 2006. Mr. DeLise also served as Chief Executive Officer of PubliCard from August 2002 to July 2006, President of PubliCard from February 2002 to July 2006, and a director of PubliCard from July 2001 to July 2006. Prior to PubliCard, Mr. DeLise was employed as a senior manager with the firm of Arthur Andersen LLP from July 1983 through March 1995. Mr. DeLise received a B.S. in accounting from Fairfield University, from which he graduated magna cum laude.

Kevin McPherson has been Global Head of Sales since June 2014. From January 2008 to June 2014, Mr. McPherson was the Company's U.S. Sales Manager. From March 1999 to December 2007, Mr. McPherson was a Sales Representative for the Company, running the Company's West Coast sales and distribution effort. From June 1996 to March 1999, Mr. McPherson worked within the Emerging Markets Fixed Income Group of Scudder Stevens & Clark, where he traded emerging market fixed income securities and supported portfolio administration. Mr. McPherson began his career at State Street Bank & Trust, where he worked from June 1994 to June 1996 as an accountant and auditor for fixed income and equities portfolios. Mr. McPherson received a B.A. in business administration from the University of Maine.

Christophe Roupie has been Head of Europe and Asia since March 2017. Prior to joining us, from October 2015 until October 2016, Mr. Roupie was the CEO of HiRock AG, a family office in Switzerland. From May 2005 to October 2015, Mr. Roupie was Global Head of Trading and Securities Financing at AXA Investment Managers. While at AXA Investment Managers, he managed trading teams in Paris, London, Hong Kong and Greenwich, Connecticut across equities, fixed income, FX, derivatives, repo and stock lending. Prior to this, Mr. Roupie was the Global Head of Fixed Income Trading at IXIS AM (now Natixis Asset Management) from October 2000 to March 2005.

Nicholas Themelis has been Chief Information Officer since March 2005. From June 2004 through February 2005, Mr. Themelis was the Company's Head of Technology and Product Delivery. From March 2004 to June 2004, Mr. Themelis was the Company's Head of Product Delivery. Prior to joining us, Mr. Themelis was a Principal at Promontory Group, an investment and advisory firm focused on the financial services sector, from November 2003 to March 2004. From March 2001 to August 2003, Mr. Themelis was a Managing Director, Chief Information Officer for North America and Global Head of Fixed-Income Technology at Barclays Capital. From March 2000 to March 2001, Mr. Themelis was the Chief Technology Officer and a member of the board of directors of AuthentiDate Holdings Corp., a start-up focused on developing leading-edge content and encryption technology. Prior to his tenure at AuthentiDate, Mr. Themelis spent nine years with Lehman Brothers, ultimately as Senior Vice President and Global Head of the E-Commerce Technology Group.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion and Analysis ("CD&A") explains our pay for performance methodology, describes and analyzes our compensation programs and practices, and details the specific amounts of compensation paid for fiscal year 2018 to our named executive officers. Our named executive officers for fiscal year 2018 were Mr. McVey, our CEO and Chairman of the Board of Directors, Mr. DeLise, our Chief Financial Officer ("CFO"), Mr. McPherson, our Global Head of Sales ("Sales"), Mr. Roupie, our Head of MarketAxess Europe and Asia ("EU/Asia"), and Mr. Themelis, our Chief Information Officer ("CIO") (collectively, the "NEOs").

Executive Summary

Compensation Overview

We believe that compensation should be performance-based, directly correlated with business and financial results, and designed to attract, reward and retain high caliber executives. Compensation decisions are based on individual and Company performance, market data for each position and each NEO's compensation level and structure. As such, the compensation structure for our NEOs is comprised of base salaries, annual cash incentive compensation under our 2009 Employee Performance Incentive Plan (the "Employee Cash Incentive Plan") and various forms of equity under our 2012 Incentive Plan (as amended from time to time, the "Equity Incentive Plan"). Equity awards may be granted on an annual basis or as multi-year retention awards that are attributed over multiple years of compensation. We also offer our NEOs some flexibility in determining the allocation of their annual equity grants between performance shares, restricted stock units and stock options, subject to a general framework and limitations imposed by the Compensation Committee, which we call our "Flex Share Program". We believe that equity awards serve as an important part of an NEO's compensation in that they further ensure alignment of the NEO's interests with those of our stockholders. Annual variable compensation gives the Compensation Committee the flexibility to tie individual and corporate performance to an NEO's compensation is an important element of our pay philosophy and each NEO's compensation program. NEOs also receive standard employee benefits.

Financial Performance

A significant portion of each NEO's compensation is dependent on our financial performance. The following chart provides a summary of our key financial performance metrics used to determine compensation. Each of the financial metrics below reflects record results in 2018:

Key Financial Metrics			
	2018	2017	Change
Revenues (in millions)	$435.6	$393.4	10.7 %
Operating Income (in millions)	$212.6	$199.6	6.5 %
Diluted Earnings Per Share	$4.57	$3.89	17.4 %
Year-End Stock Price	$211.31	$201.75	4.7 %
Trading Volume (in billions)	$1,713.5	$1,458.3	17.5 %
Estimated U.S. High Grade Market Share	18.1 %	16.9 %	6.8 %

While our 2018 results exceeded 2017 results for all of our key financial metrics, we did not meet our internal targets for revenues and operating income in 2018. As discussed below, this negatively affected the cash accrual from which we paid our NEOs for the 2018 performance period.

Relative Performance

For 2018, we evaluated our year-over-year financial growth as compared to our 2018 Peer Group (as defined below under How We Determine Pay Levels – Peer Group). While our annual growth rate for revenue, operating income, and full-year stock price appreciation slowed on a year-over-year basis, we still ranked second in each of three- and five-year stock price growth and third in year-over-year EPS growth as compared to our U.S. peers.

Our share price growth as compared to the following indices for the one-, three-, and five-year periods ended December 31, 2018 was as follows:

Share Price Growth							
	MKTX Stock Return	Russell 1000 Stock Return	Alpha	NASDAQ Comp. Stock Return	Alpha	S&P MidCap 400 Stock Return	Alpha
1-year	5.0 %	(6.6)%	11.6 %	(3.9)%	8.9 %	(12.5)%	17.5 %
3-year	92.6 %	22.3 %	70.3 %	32.5 %	60.1 %	18.9 %	73.7 %
5-year	227.6 %	34.3 %	193.2 %	58.9 %	168.7 %	23.9 %	203.7 %

In 2018, we continued to deliver long-term value for our stockholders as evidenced by ranking 103rd in five-year total shareholder return ("TSR") (approximately 94th percentile) and 19th in ten-year TSR (approximately 99th percentile) of all 1,783 U.S. public companies with over $1 billion in market capitalization, (as reported by FactSet).

How 2018 Performance Affected Executive Compensation

The chart below shows the change in base salary, total cash (which includes base salary and incentive cash) and Total Direct Compensation ("TDC") (which includes cash payments, annual equity awards and the annualized value of multi-year equity awards) for each NEO (see Annual Variable Performance Awards in Cash and Total Direct Compensation below). Aggregate total cash payments to the NEOs decreased by 1% in 2018 from 2017 levels while TDC remained flat.

	Base Salary			Total Cash Compensation			Total Direct Compensation		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
	($ in thousands)								
Richard M. McVey, CEO	$500	$500	0 %	$2,390	$2,390	—	$7,100	$7,000	1 %
Antonio L. DeLise, CFO	300	300	0 %	1,150	1,100	5 %	1,900	1,800	6 %
Kevin McPherson, Sales	300	300	0 %	1,400	1,475	(5)%	2,250	2,325	(3)%
Christophe Roupie, EU/Asia (1)	399	399	0 %	865	831	4 %	1,552	1,521	2 %
Nicholas Themelis, CIO	300	300	0 %	1,475	1,550	(5)%	2,500	2,625	(5)%
Aggregate				$7,280	$7,346	(1)%	$15,302	$15,271	0 %

(1) All data for Mr. Roupie is shown in USD terms using a conversion rate of 1.33 USD to 1 GBP.

The figures in the preceding chart differ from those shown in the Summary Compensation Table in Executive Compensation, as the Summary Compensation Table reflects the full grant date value of any multi-year performance equity award received by the NEOs in the year actually granted (as required by the SEC).

At $253.3 million of adjusted operating income, we were slightly below our 2018 internal target adjusted operating income goal of $262.4 million. Accordingly, the accruals under our cash incentive plans were lower than budgeted (see Annual Variable Performance Awards Payable in Cash below). This negatively affected the cash bonuses paid to certain of our NEOs.

The Company satisfied the operating income target range for the performance shares that were granted in 2018. Accordingly, the performance shares settled at 100% of the targeted award amounts (see Long-Term Incentives – Equity-based Awards below).

Changes/Key Actions in 2018

In 2018, we implemented the following changes with respect to our executive management and rewards structure to ensure that our executive compensation programs continue to balance the reward and retention of our NEOs with the short- and long-term interests of our stockholders:

- Annual Incentive Design – In 2018, we reduced the percentage of annual operating income allocated to the annual cash incentive performance awards payable to our employees, including our NEOs (the "Bonus Accrual") (see Employee Cash Incentive Plan - 2018);
- Performance Share Metrics – The thresholds for our performance share program were adjusted to align with our 2018 financial plan. An additional metric based on the Company's composite market share across its core products was added in 2018 (see 2018 Performance Share Metrics and Payout below); and
- Elimination of Section 162(m) Incentive Plan – As a result of the Tax Cuts and Jobs Act of 2017, we no longer maintain a separate cash incentive plan for certain NEOs.

Actions in 2019

- President & COO Hire – Mr. Christopher R. Concannon joined the Company on January 22, 2019 as our President and Chief Operating Officer. Our Board determined that Mr. Concannon was an executive officer upon commencement of his employment;
- Annual Incentive Design – In 2019, we increased the percentage of annual operating income allocated to the annual cash incentive performance awards payable to our employees, including our NEOs. This modification further aligns our NEOs' compensation with our 2019 financial plan, which includes continued investment to support the Company's growth and new initiatives (see Annual Variable Performance Awards Payable in Cash below);
- Performance Share Metrics – The performance share targets for our 2019 program were adjusted to align with our new 2019 financial plan (see 2019 Grants for 2018 Performance below); and
- CEO Pay Mix – As a result of the hire of Mr. Concannon, our President & COO, the Committee expects to shift the CEO's pay mix by decreasing his annual cash incentive opportunity. This reduction may be offset by a commensurately larger equity award so that the Company's financial results will continue to have a significant impact on the CEO's overall pay.

Advisory Vote on Executive Compensation

At our 2018 Annual Meeting of Stockholders, 95.77% of the votes present and entitled to vote on the non-binding advisory vote on our executive compensation proposal were voted in favor of our 2017 NEO compensation. In evaluating the 2018 compensation for our NEOs, the Compensation Committee reviewed these final vote results and took into consideration the strong support of our stockholders for our compensation policies. Although it determined that no significant changes to our executive compensation policies were necessary, the Compensation Committee will continue to review our NEO compensation program and goals on an annual basis.

How Compensation Is Determined

Role of the Compensation Committee

The compensation programs for our NEOs are administered by the Compensation Committee with assistance from management and our independent compensation advisors. The Compensation Committee reviews all components of remuneration and decides which elements of compensation, if any, should be adjusted or paid based on corporate and individual performance results and competitive benchmark data. The Compensation Committee's function is fully described in its charter, which is available on our corporate website at www.marketaxess.com under the Investor Relations – Corporate Governance caption.

In performing its duties, the Compensation Committee:

- annually reviews competitive compensation data, recent compensation trends and any other relevant market data obtained by its compensation consultant and considers the impact on our compensation architecture, policies and strategies;
- reviews all compensation, including equity holdings (both vested and unvested amounts) earned by each NEO;
- consults with the compensation consultant and full Board regarding market and performance data when considering decisions concerning the structure and amount of Mr. McVey's compensation; and
- considers the recommendations of Mr. McVey relating to the performance of our NEOs (other than himself) and the recommendations of its compensation consultant relating to market data and compensation trends when considering

decisions concerning the structure and amount of compensation of our NEOs.

All compensation decisions related to cash incentives or equity grants for our NEOs are determined by the Compensation Committee in conjunction with the CEO, except for his own awards, and are approved by the Board.

Use of Outside Advisors

In making its determinations with respect to compensation of our NEOs, the Compensation Committee currently retains the services of Grahall as its independent compensation consultant. In this capacity, Grahall reports directly to the Compensation Committee. During 2018, Grahall provided the following services with respect to NEO compensation:

- Pay Analysis — Reviewed and benchmarked competitive market pay levels and conducted retention analyses with respect to 2018 compensation for our NEOs;
- Proxy Disclosure — Assisted in the preparation of the Company's CD&A for performance year 2017;
- Share Ownership Guidelines — Assisted management and the Compensation Committee in the oversight of our on-going share ownership guidelines;
- CEO Retention Award – Assisted the Compensation Committee and the Board in structuring a performance-based retention program for the CEO in advance of his previous multi-year retention award becoming fully vested in January 2020;
- Executive Hire – Assisted the CEO and the Compensation Committee in developing the compensation program for Mr. Concannon; and
- General Advice/Compliance — Provided other general compensation-related recommendations and performed other services, including providing advice regarding regulatory and advisory compliance issues and the Company's usage of authorized shares (i.e., "burn rate"), as well as an ongoing review of our peer group composition (as discussed below in Peer Group).

In 2018, Grahall also provided services relating to the compensation of our directors (see Director Compensation above).

The Compensation Committee has the sole authority to retain, terminate and set the terms of the relationship with any outside advisors who assist the Compensation Committee in carrying out its responsibilities.

Compensation Objectives and Strategy

Our pay philosophy is intended to balance rewarding our NEOs' contributions to our business and financial performance with stockholder returns while attracting and retaining the caliber of executives we need to ensure our continued growth and profitability.

The compensation program's primary objectives are:

- Alignment: align and reward Company and individual performance and decision-making with stockholder value creation while providing for prudent risk management;
- Value Creation: drive long-term growth objectives, thereby creating long-term value for our stockholders; and
- Cost-Effectiveness: provide rewards that are economically viable, equitable to both our NEOs and stockholders, and competitive with organizations that compete for executives with similar skill sets. This encourages high-potential individuals with significant and unique market experience to build a career at the Company.

Both our unique internal operating characteristics, as well as external competition for talent, directly impact the way we attract, reward and retain key management talent:

- We are one of the few public companies in the financial technology market focused on the electronic trading of fixed income products. Our markets are also undergoing significant changes in market structure, which requires our NEOs to be innovative as they help set the Company's direction and determine the role it plays in the financial markets.
- We are a relatively flat organization; therefore, our NEOs must have the ability to balance strategic decision making with tactical execution, and they must be able to effectively communicate with, and lead, broad teams of employees

across all levels of the organization.

- We are a hybrid financial technology company whose NEOs must combine an expertise of the fixed-income securities market with the knowledge and ability to conceptualize, create, implement and deliver technology-driven market solutions. Competitors for talent include newer start-up initiatives trying to compete in our markets; traditional financial services firms, especially those investing in technology solutions; large exchange groups; and software development firms.

In implementing the Company's compensation programs and arriving at individual pay decisions, we consider that other organizations may provide their executives with compensation elements similar to ours, but within compensation structures that may be different than ours. These structures may provide their executives with less variability in year-over-year compensation and earnings opportunities that exceed what we can afford or desire to pay.

To assess the financial impact of our compensation programs, we focus on managing our aggregate compensation and benefits expense expressed as a percentage of our total annual revenues ("C&B Ratio"). We believe that monitoring this measure improves our overall profitability. The NEOs' annual incentive payments are a component of aggregate compensation expense; therefore, we may reduce the NEOs' incentives to meet our internal annual C&B ratio target. Additionally, the C&B Ratio provides a normalized efficiency measure by which we can compare our compensation structure to those maintained by our peers and other financial and technology industry companies. Since 2012, our C&B Ratio has been below 30%, which we believe is an appropriate target given our current revenues, employee base and strategic plans.

We believe that continuity of the leadership team benefits the Company and our stockholders. As such, we promote long-term commitments from our NEOs. To support these objectives, we provide our NEOs with a mix of both short-term incentives (base salary and performance-based annual cash awards), long-term (three- to five-year) equity incentives, and where appropriate, contractual protection that supports a long-term commitment to the Company. Ultimately, the value realized by our NEOs from our equity incentive awards depends on several factors: our financial performance, changes in our Common Stock price, satisfaction of an award's vesting schedule, and compliance with any on-going employment or post-termination covenants. Taken together, we believe these factors help create a comprehensive scheme that both reinforces our long-term performance-based orientation and is aligned with the interests of our stockholders.

Compensation Policies and Practices

We maintain a high standard of compensation policies and practices as illustrated below:

Compensation Policies and Practices	
What We Do	What We Avoid
√ Emphasis on performance-based compensation	X No guaranteed bonuses for existing NEOs
√ Use of clawbacks	X No pension / SERP plans
√ Stock ownership guidelines	X No single-trigger Change in Control benefits
√ Use of long term equity awards that align with stockholder interests	X No §280G excise tax "Gross-Up" Benefits
√ Automatic reduction of severance payments subject to §280G excise tax	X No corporate aircraft or other excessive perquisites
	X No dividends on performance shares until earned
	X No "repricing" underwater options without stockholder approval
	X No hedging of MarketAxess stock

Tally Sheets

Our Compensation Committee uses tally sheets to summarize historical compensation, equity holdings and realized value for each NEO, as well as applicable Company performance. Because the Company does not have any extensive retirement benefits, perquisites or other elaborate compensation programs, the primary benefit of using tally sheets is to provide historical perspective for each NEO regarding the elements of pay and equity holdings which facilitate analysis of wealth opportunity and wealth realization. The tally sheets are used to conduct sensitivity analysis regarding each NEO's forfeitable (due to vesting and/or clawback rights) and non-forfeitable equity at different Common Stock prices to help facilitate our retention efforts. In this way, the compensation decisions reflect a more informed perspective regarding prior equity grants and incentive opportunities and consider the retention value of all existing awards as a whole.

Principle Elements of Pay

Elements of Pay Table

Our executive compensation programs are comprised of the following principle elements, each of which is described in more detail below:

The combination of these elements enables us to offer competitive, cost effective compensation programs that balance variable, or at-risk, compensation with prudent risk taking and stockholder interests.

Elements of Pay		
Component	Description	Purpose
Base Salary	Fixed pay based on role and responsibilities, experience and expertise, and individual performance	Provides a consistent minimum level of compensation that is paid throughout the year at a cost-effective level for the Company
Annual Cash Bonus	Variable cash payments based on achievement of annual corporate financial goals and individual performance	Rewards short-term performance in a framework that discourages excessive risk taking by limiting maximum award opportunities
Annual Equity Awards	Equity awards that vest over three or more years	Designed to tie compensation to stockholder value creation; rewards attainment of corporate and individual goals
Multi-Year Equity Awards	Performance awards that vest over four or more years, often with back-ended vesting	Serve as retention tools while aligning compensation to long-term stockholder value creation
Other Benefits	Include healthcare, life insurance, disability and retirement savings plans	Provide assistance with healthcare related costs and income protection in the event of disability as well as a base level of replacement pay upon retirement

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Pay Mix

We believe that lower base salaries and higher levels of variable performance awards motivate our NEOs, facilitate the achievement of our growth objectives and promote decision-making that is aligned with our stockholders' interests. A lower base of fixed costs (including base salary) also allows us to better manage expenses, which helps improve profitability. We also believe that the balance among pay components in our compensation program design mitigates against a focus on short-term results and decreases the potential for excessive or inappropriate risk taking (see Compensation Risk Assessment below). An overview of the elements of pay provided to each NEO for fiscal year 2018 is as follows:

Compensation and Benefits Paid in Respect of 2018

McVey, CEO DeLise, CFO

McPherson, Sales Roupie, EU/Asia

Themelis, CIO

In 2018, all NEOs received over a third of their annual TDC in equity, which was intended to align each NEO's interests with that of our stockholders. As CEO, Mr. McVey receives the highest percentage of TDC (66%) in the form of equity compensation. Given Mr. McVey's level of ownership of the Company's Common Stock, his other pay components and our strategic initiatives, we believe that Mr. McVey's significant percentage of TDC in the form of equity is both appropriate and desirable to further the alignment between him and the Company's stockholders.

How We Determine Pay Levels

Peer Group

The Company uses peer group information to help set competitive market levels and structure for our NEOs. Because several of our closest competitors are private firms with unpublished compensation data, we rely on a broader base of financial services and technology companies to facilitate our review.

While public peers may differ from us in terms of size (whether measured by market capitalization or annual revenues) and core business, these companies are the closest matches available to us in terms of a comparable business model. Each provides technology solutions to the financial markets, and some provide electronic trading platforms similar to ours, albeit in other asset classes.

Grahall performs an ongoing review of the composition of our peer group. Factors considered in determining the peer group ("Peer Group") include:

- financial size – market cap and revenues, generally based on a methodology similar to the method used by Institutional Shareholder Services ("ISS") of +/- 2.5 times the Company's most recent annual revenues and +/- 5 times the Company's most recent market capitalization;
- whether companies compete with us for customers, executives or other employee talent;
- asset class or product offering;
- peers of peers, as well as peers designated by ISS in its annual review; and
- reviewing the broader market for additional firms in financial services, IT services and software industries, based on relative revenue, market capitalization and operating income similarity.

Due to our desire to broaden the number of companies in our Peer Group, our focus on expanding our international business and to better evaluate our financial performance, the Company has included certain companies not listed on U.S. exchanges ("Non-U.S. Peers"), but whose business models are similar to the Company's. The Non-U.S. Peers are generally included in the Compensation Committee's review of our performance.

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For the 2018 compensation period, our Peer Group was comprised of the following firms:

2018 Peer Group						
				Revenue	Operating Income	Market Cap
US Based Peers	Symbol	Client Base	Products	($ in millions)	($ in millions)	($ in millions)(1)
ACI Worldwide	ACIW	Institutional and Retail	Payment Systems	$ 1,010	$ 125.9	$ 3,789
Alliance Bernstein Holding	AB	Institutional and Retail	Various	$ 3,367	$ 825.3	$ 2,726
BGC Partners	BGCP	Institutional	Various	$ 1,938	$ 179.8	$ 2,067
CBOE Holdings	CBOE	Institutional	Listed options and futures	$ 2,769	$ 599.4	$ 10,566
Cohen & Steers	CNS	Institutional	Various	$ 381	$ 147.0	$ 1,968
Envestnet	ENV	Wealth Management/Cloud Data	Technology	$ 812	$ 14.2	$ 3,110
Financial Engines	FNGN	Retail	Various	*	*	*
GAMCO Investors	GBL	Institutional and Retail	Various	$ 342	$ 186.8	$ 593
Hercules Technology Growth Capital	HTGC	Institutional	Capital / Funding	$ 208	$ 108.7	$ 1,201
Investment Technology Group	ITG	Institutional	Equities	*	*	*
Main Street Capital	MAIN	Middle Market, Small Companies	Capital / Funding	$ 233	$ 156.6	$ 2,320
MSCI	MSCI	Various, including Institutional	Various	$ 1,434	$ 507.9	$ 16,462
Oaktree Capital Group	OAK	Institutional and Retail	Various	$ 1,386	$ 489.3	$ 7,733
SS&C Technologies Holdings	SSNC	Institutional	Technology	$ 3,421	$ 429.1	$ 15,736
Virtu Financial	VIRT	Institutional and Corporate	Various	$ 1,879	$ 696.4	$ 4,574
Virtus Investment Partners	VRTS	Institutional and Retail	Various	$ 552	$ 113.1	$ 684
Wisdom Tree Investments	WETF	Institutional & 401(k) Providers	Various	$ 274	$ 61.3	$ 1,106
MarketAxess Holdings	MKTX	Institutional	Fixed Income	$ 436	$ 213	$ 9,172
			MKTX Rank	11 of 16	7 of 16	4 of 16
			Median	$ 1,010	180	2,726
			75th Percentile	1,908	499	6,154
			MKTX Percentile	30th	60th	80th

(1) Market Capitalization estimated as reported close of business on March 29, 2019.

* Denotes a company that was acquired during 2018 and is no longer used for comparison purposes.

Benchmarking – Importance and Process

Once the Peer Group review is completed, Grahall identifies a broader group of peers for compensation benchmarking purposes, which is accomplished by reviewing the following:

- The group of financial services companies designated as our peer group by ISS for the 2018 compensation period;
- A broader group of financial services companies within S&P's Capital Markets, Diversified Financials and Consumer Finance sub-groups; and
- A broader group of S&P's technology companies within Software & Services and IT Services.

The aggregate information developed by Grahall is used to prepare the recommended pay ranges for review and approval by the Compensation Committee. To minimize the impact of year-to-year data volatility, multiple years of data is used. In addition, variable annual incentives and equity awards may be averaged and/or annualized as appropriate to better estimate market pay level.

The Company's performance and C&B Ratio, as well as individual performance and contributions, role, knowledge and expertise, and the level of competition that exists within the market for a given position collectively drive how the NEO is paid vis-à-vis the recommended pay range.

Individual Performance

The Compensation Committee assesses the individual performance of the Company's NEOs in connection with the determination of each NEO's annual cash bonus, annual equity award and TDC. In assessing the performance of the NEOs for 2018, the Compensation Committee credited them with:

2018 Performance	
NEO	Contributions
Richard M. McVey, CEO	Tenth consecutive year of record revenues, operating income, EPS, and average daily trading volume.
	Increased share price despite difficult equity market conditions.
	Continued long-term growth of core products while also accelerating the momentum in Open Trading.
	From a regulatory perspective, delivered on timely MiFID II solutions through our TRAX post trade business and helped prepare the Company for Brexit.
	Led a significant investment in hiring senior talent globally in order to expand the Company's ability to deliver on its strategic goals and for longer-term succession planning, including the hire of the Company's new President & Chief Operating Officer.
Antonio L. DeLise, CFO	Led the Investor Relations function, bringing transparency, accessibility and clear messaging to our stockholders and analysts, and successfully increased the number of analysts covering the Company.
	Continued to build out the risk management function, including increased risk monitoring, improved credit risk analysis and monitoring, and improved the Company's SOX and internal auditing capabilities.
	Supported various strategic initiatives, including analysis and decision making support for merger and acquisition opportunities, long-term financial and strategic planning, pricing and premises.
Kevin McPherson, Sales	Contributed to the Company's record revenues, earnings and trading volume as well as market share gains in core products.
	Diversified our business through increased trading in newer asset classes and across clients and geographies.
	Drove the growth of our Open Trading, high yield and emerging markets businesses, as well as the

	increase in our trading volumes from clients in Europe.
Christophe Roupie, EU/Asia	Increased our E.U. average daily trading volumes through Open Trading, increased the number of block trades, and helped increase client usage of the Company's crossing and auto-execution functionalities.
	Increased post prade and data revenues on a year-over-year basis and diversified the client base generating post trade revenues.
	Delivered on regulatory requirements, including those related to the implementation of MiFID II and the establishment of the Company's Netherlands office in anticipation of Brexit.
	Drove the hiring of senior staff to add depth and execution capability to the organization.
Nicholas Themelis, CIO	Delivered three major releases and two minor releases for the trading platform, including the on-going support of new MiFID II requirements throughout the year.
	Delivered trading system enhancements, including enhancements to auto execution functionality, improvements to settlement workflow to accommodate ten new local markets, and architectural changes to improve reliability and stability of our trading systems.
	Enhanced the Company's research and data products such as Liquidity Scores, CP+, Like-Bonds, and TCA.
	10% increase in year-over-year data revenues.
	Improved and enhanced the Company's internal infrastructure and systems.

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Pay for Performance Alignment – CEO's Realized Compensation

To assess our pay-for-performance alignment, we reviewed all compensation realized ("Realized Compensation") by Mr. McVey relative to our TSR for the three-year period ended December 31, 2017 (the most recent period for which peer compensation data was available at the time of filing this proxy statement) against our 2017 peer group.

Realized Compensation was determined by adding the following elements together:

- Sum of three years' base salary;
- Sum of three years' actual annual incentive payments;
- Intrinsic ("in-the-money") value of stock options awarded during the three-year period (using December 31, 2017 closing price);
- Value of three years' restricted stock awards updated for December 31, 2017 closing price;
- Sum of all performance awards made during the three-year period; and
- Any other payments or form of wealth received by the executive as reported in the compensation table for the applicable three-year period.

We believe the structure of our compensation program, which minimizes fixed costs and emphasizes appropriate performance leverage, has fairly and competitively compensated our NEOs, including Mr. McVey, for our above market performance realized during this time period and has exhibited strong pay for performance alignment. The graph below compares the three-year Realized Compensation and the Company's TSR against our 2017 peer group on a percentile basis and indicates that the Company's performance was well-aligned with compensation for the period. Alignment is defined as the Company's relative pay and relative performance percentiles amongst the peers that were within 25 percentile points of each other.

The charts below compare Mr. McVey's TDC to the Company's Common Stock price appreciation, the performance of various indices and the Company's operating income for the five-year period ended December 31, 2018:

CEO Pay vs. Total Shareholder Return	CEO Pay vs. Annual Operating Income

Calendar year 2013 is the baseline year. The measurement period begins with calendar year 2014.

As illustrated in the above graphs, Mr. McVey's annual TDC has increased 9.2% during this 5-year period ending December 31, 2018 (representing an approximately 1.8% compound annual growth rate "CAGR"), while the Company's operating income has increased 98.1% (14.6% CAGR over 5 years) and TSR has increased over 313% (25.6% CAGR over 5 years). During this 5-year period, over $5 billion in shareholder value (as measured by increased market capitalization) has been created.

We believe Mr. McVey's compensation has consistently reflected our pay for performance philosophy during this period. However, because the Summary Compensation Table requires multi-year equity awards to be reported in full in the year received, our use of such awards can make an NEO's compensation appear to be volatile. The chart below illustrates and contrasts TDC levels for Mr. McVey over the past 6 years as reported in the Summary Compensation Table (pursuant to SEC rules) versus the TDC calculated by the Company as a result of annualizing multi-year equity awards over the term of each award:

CEO Compensation

* Includes $8 million performance equity grant that is spread over the five performance years from 2015 to 2019 (see Use of Multi-Year Awards below).

** Includes $11 million performance equity grant awarded in November 2018 that will be attributed to, and will reduce, annual compensation for the five performance years from 2018 to 2022 (see Use of Multi-Year Awards below).

*** Annualized Multi-Year Grants spread the grant value of multi-year awards over the relevant performance or vesting period as follows:

CEO - Annual Grant Value Offset			
Attribution Years	2015 Performance Award Value	2018 Performance Award Value	Total Offset to Annual Award
	($ in thousands)		
Each Year 2015 - 2017	$1,600	$ —	$1,600
2018	$1,600	$ 367	$1,967
2019	$1,600	$ 2,200	$3,800

Base Salary

We avoid automatic base salary increases and target our NEO's base salaries below applicable median base pay levels to manage our fixed compensation costs and reinforce our pay-for-performance philosophy.

While most of the NEOs' base salaries were at or below the 25th percentile of base salaries reported by our Peer Group, we did not adjust base salaries in 2018. Instead, we provided our NEOs with the opportunity for higher compensation through improved variable and long-term incentive opportunities as described below.

Annual Variable Performance Awards Payable in Cash

Our NEOs are paid cash awards under our Employee Cash Incentive Plan. A summary of cash incentives paid to our NEOs in 2018 and 2017 and a comparison to our key financial metrics for both years can be found below:

Cash Incentive Paid Compared to Financial Metrics				
	2018 ($)	2017 ($)	Change	
Revenues (in millions)	$435.6	$393.4	11	%
Operating Income (in millions)	$212.6	$199.6	6	%
Diluted EPS	$4.57	$3.89	17	%
(in thousands)				
Richard M. McVey, CEO	1,890	1,890	0.0	%
Antonio L. DeLise, CFO	850	800	6	%
Kevin McPherson, Sales	1,100	1,175	(6	)%
Christophe Roupie, EU/Asia	466	432	8	%
Nicholas Themelis, CIO	1,175	1,250	(6	)%

Employee Cash Incentive Plan - 2018

The pool for our annual employee cash incentive plan is accrued as a percentage of our annual pre-tax operating income before the payment of any incentive compensation ("Adjusted Operating Income"). The Company sets an Adjusted Operating Income target each year. In 2018, our target Adjusted Operating Income was $262.43 million. At target, the Bonus Accrual would have been $33 million.

The Company must have positive Adjusted Operating Income for there to be an accrual for any particular performance year. If the Company exceeds the Adjusted Operating Income target, the percentage accrual rate is reduced, as shown below:

Employee Cash Incentive Plan Accrual Rate - 2018	
Level of Adjusted Operating Income	2018 Accrual Rate
At or below $0	0.00%
≤100% (at target)	12.57%
>100 and <105%	12.00%
105 to 110%	10.00%
>110%	8.00%

Regardless of the accrual rate, the Compensation Committee ultimately has the right to override the formulaic result, thereby changing the actual amount paid.

The total amount accrued under the program for 2018 was $31.7 million, which was available to be awarded to all employees of the Company at the discretion of the Compensation Committee. As shown in the chart below, the actual accrual rate for 2018 was lower than previous years' accrual rate. In addition, the Compensation Committee exercised downward discretion in the payout percentage after reviewing financial performance, market data, staffing levels and the C&B Ratio. The lower accrual and payout rates also allowed the Company to achieve higher incremental margins:

Actual Accrual Rate vs. Target and Previous Year		
	2018	2017
Target accrual rate	12.57 %	13.82 %
Adjusted (actual) accrual rate	12.52 %	12.94 %
Payout (in thousands)	$31,740	$29,621

Non-Qualified Deferred Cash Plan – 2018 Contributions

The Company offers a voluntary non-qualified deferred cash plan that allows U.S.-based NEOs and other select participants to defer all or part of their cash bonus. For the cash bonus paid in 2019 for 2018 performance, Mr. DeLise was the only NEO to participate in this plan. He deferred 75% of his $850,000 cash incentive bonus for 2017, or $637,500.

Changes to the Employee Cash Incentive Plan – 2019

For purposes of funding the Bonus Accrual for the 2019 performance year, the accrual rate is slightly higher than in previous years principally due to the headcount investment we have planned for 2019, including the hire of a new President & COO. In addition, for 2019, there is no decline in the accrual rate for out-performance. This allows us to simultaneously invest in new employees and have the best chance to retain high-performing existing employees. The table below shows the accrual rates for each threshold for 2019 as compared to 2018:

Employee Cash Incentive Plan Accrual Rate - 2019		
Level of Adjusted Operating Income	2019 Accrual Rate	2018 Accrual Rate
0.00%	0.00%	0.00%
≤100% (at target)	12.98%	12.57%
<105%	12.98%	12.00%
105 - 110%	12.98%	10.00%
>110%	12.98%	8.00%

Long-term Incentives – Equity-based Awards

Equity awards have traditionally been granted to our NEOs at the time of hire ("new hire" awards), annually (as part of our on-going compensation scheme), and upon contract renewal. We believe that delivering an appropriate portion of an executive's equity as a multi-year equity award is an effective method of providing an executive with a significant additional incentive to create long-term value for stockholders, while potentially reducing the accounting expense incurred by the Company over a multi-year period to the extent that our Common Stock price increases.

We grant annual awards on January 15 using the average closing price of our Common Stock for the ten consecutive trading days leading up to and including the date of grant. This helps to ensure that the timing of any award and the setting of the exercise price of a stock option will not be subject to manipulation. It also reduces the impact of any significant short-term swings in stock price. All annual awards vest over a minimum of three years, and the first vesting date is at least one year from the date of grant.

The value of the annual equity awarded to each NEO is considered by the Compensation Committee in determining TDC for each NEO. The amount awarded is based upon market data, the Company's desire for our NEOs to maintain appropriate upside leverage in our annual incentive program while managing risk, share ownership guidelines, and our desire to retain our NEOs.

The Executive Compensation Tables require that we report all equity granted during the applicable reporting year. As such, we are providing an overview of all equity awards granted in January 2018 for 2017 performance. However, in calculating TDC for performance year 2018, we used the value of equity granted in January 2019 in recognition of performance during 2018. Accordingly, we have also included an overview of equity awards granted in 2019.

2018 Grants for 2017 Performance

The following chart shows the annual equity awards granted to our NEOs in January 2018 for performance in 2017 and the value of any multi-year awards included in their TDC for 2017 (see Use of Multi-Year Awards below

Equity Attributed to Year-End 2017 Compensation			
	Grant Value Jan 2018	Annualized Portion of Previously Granted Multi-Year Awards	Total
	($ in thousands)		
Richard M. McVey, CEO	3,010	1,600	4,610
Antonio L. DeLise, CFO	340	360	700
Kevin McPherson, Sales	350	500	850
Christophe Roupie, EU/Asia	253	437	690
Nicholas Themelis, CIO	475	600	1,075

The annual equity value received by the NEOs was determined after 1) setting a target TDC for each NEO, 2) subtracting out the base salary already paid and the targeted cash incentive, and 3) subtracting the annualized value of their respective multi-year grants (See Use of Multi-Year Awards below).

Flex Share Program

Annual equity awards are made pursuant to our "Flex Share" program that permits our NEOs to have input into the form of their equity compensation (between performance shares, restricted stock units ("RSUs") and stock options), subject to a general framework and limitations imposed by the Compensation Committee. The Flex Share program allows the Company to deliver more individualized awards with greater perceived value to the NEOs without incurring additional expense to the Company. For the awards granted in 2018, each annual equity award had a minimum requirement of 35% for performance awards (40% for the CEO), with a maximum amount of 50% of the annual equity award allowed to be in the form of performance shares. Of the remainder of the annual award, 50% was awarded in the form of RSUs. NEOs then had the option to receive the balance of their award in RSUs or stock options. For the awards granted in January 2018, stock options were granted at a ratio of one RSU to 3.63 stock options, based upon the relative accounting cost of each award component on the award date.

RSUs and stock options vest in three equal annual installments beginning a year after grant. Performance shares settle in the first quarter after the completion of the performance year and vest in two equal annual installments beginning two years after grant.

RSU settlement may be deferred at the NEO's election, which provides an added benefit of allowing the NEO to maintain additional upside leverage in our shares of Common Stock through delayed taxation. Generally, deferring RSUs has no impact on an RSU's vesting schedule, except that the initial vesting date for an RSU deferred in the year of grant must occur at least 13 months after the grant date in accordance with Section 409A of the Code.

As a result of their elections, the NEOs were granted the following awards as part of their annual equity award in January 2018:

Annual Equity Award - Share Election - 2018

	Total Value Granted ($ in thousands)	Percentage Allocated as RSUs	RSUs Granted on Jan 15, 2018	Deferred	Percentage Allocated as Stock Options	Stock Options Granted on Jan 15, 2018	Percentage Allocated as Performance Shares	Performance Shares Granted on Jan 15, 2018
Richard M. McVey, CEO	$ 3,010	30 %	4,418	Yes	30 %	16,037	40 %	5,891
Antonio L. DeLise, CFO	$ 340	65 %	1,081	No	0 %	—	35 %	582

Kevin McPherson, Sales	$ 350	65	%	1,113	No	0	%	—	35	%	599
Christophe Roupie, EU/Asia	$ 253	60	%	743	N/A	0	%	—	40	%	743
Nicholas Themelis, CIO	$ 475	60	%	1,395	No	0	%	—	40	%	930

2018 Performance Share Metrics and Payout

The performance share awards were designed to result in a 100% payout if the Company achieved a targeted adjusted operating income range (before expenses incurred in connection with the grant of all performance share awards for performance in 2018). The performance share awards provided for a maximum payout of 150% of the Target award if the high end of the target range was exceeded by at least 10% and would result in no payout if the Company did not achieve at least 80% of the low end of the target range. Our actual adjusted operating income was $222 million, which resulted in a payout of 100%. The table below shows the adjusted operating income goals and corresponding payout results:

2018 Performance Share Metrics and Achievement	
2018 Adjusted Operating Income Goal	Performance Share Payout
Below $176.2 million	0.0%
$176.2 million (80%)	50.0%
Actual of $222.03 million	100.0%
Target of $220.23 to $230.23 million	100.0%
$253.25 million and higher (110%)	150.0%

The table below shows the adjustment to the performance shares upon settlement:

Performance Share Awards - Granted and Settled				
	Performance Shares Granted	Value on the Date of Grant (1)	Settlement of Performance Shares in 2018	Value of Grant on Date of Settlement (2)
	(in units)	($ in thousands)	(in units)	($ in thousands)
Richard M. McVey, CEO	5,891	1,200	5,891	1,265
Antonio L. DeLise, CFO	582	119	582	125
Kevin McPherson, Sales	599	122	599	129
Christophe Roupie, EU/Asia (3)	743	151	498	107
Nicholas Themelis, CIO	930	189	930	200

(1) Based on the closing price on January 15, 2018 (Grant Date) of $203.72
(2) Based on the closing price on January 31, 2019 (Settlement Date) of $214.77
(3) Due to U.K. tax considerations, Mr. Roupie's performance award was subject to downward adjustment only. Therefore, the grant amount was the maximum amount that could be earned.

2019 Grants for 2018 Performance

The following chart shows the annual equity awards granted to our NEOs in January 2019 for performance in 2018 and the value of any multi-year awards included in their TDC for 2018:

Equity Value Attributed to Year-End 2018 Compensation				
	Grant Value	Annualized Portion of Multi-Year Awards		
	Jan-19	Previous Multi-Year Award	2018 Multi-Year Award	Total
	($ in thousands)			
Richard M. McVey, CEO (1)	2,743	1,600	367	4,710
Antonio L. DeLise, CFO (2)	390	360		750
Kevin McPherson, Sales (2)	350	500		850
Christophe Roupie, EU/Asia (3)	250	170	268	688
Nicholas Themelis, CIO (2)	425	600		1,025

(1) $1.6 million represents the annual value of the multi-year performance award granted in January 2015; $367,000 represents two months of value of a new multi-year performance retention award granted in November 2018 (see

Use of Multi-Year Awards below)

(2) Multi-year awards were granted in January 2016 and annual attribution began with 2015 year-end compensation.

(3) $170,000 represents the earned amount of a multi-year performance award granted in connection with Mr. Roupie's hire on April 1, 2017; $268,000 represents the value of an award tied to year-end 2018 compensation (see Use of Multi-Year Awards below)

There were no changes to the Flex Share program for the 2019 grants, except that the ratio of RSUs to stock options decreased slightly to 3.61 stock options to one RSU.

The performance share metrics for operating income and composite market share were adjusted to align with our 2019 financial plan. In the event that the Company exceeds the composite market share thresholds, the payout of the performance shares can be increased up to the 100% payout level, provided, however, the Company must have first met the minimum threshold for operating income. Notwithstanding the above, market share results cannot increase the payout above 100%. Any payout level above 100% depends solely on exceeding operating income goals.

The NEOs were granted the following awards in January 2019:

Annual Equity Award - Share Election - 2019								
	Total Value Granted ($ in thousands)	Percentage Allocated as RSUs	RSUs Granted on Jan 15, 2019	Deferred	Percentage Allocated as Stock Options	Stock Options Granted on Jan 15, 2019	Percentage Allocated as Performance Shares	Performance Shares Granted on Jan 15, 2019
Richard M. McVey, CEO	$ 2,743	60 %	7,757	Yes	—	—	40 %	5,171
Antonio L. DeLise, CFO	$ 390	70 %	1,287	No	—	—	30 %	551
Kevin McPherson, Sales	$ 350	70 %	1,155	No	—	—	30 %	495
Christophe Roupie, EU/Asia (1)	$ 1,320	50 %	2,522	N/A	—	—	50 %	3,783
Nicholas Themelis, CIO	$ 425	70 %	1,402	No	—	—	30 %	601

(1) Mr. Roupie was awarded Restricted Stock, not RSUs. As discussed below, Mr. Roupie received an additional award with the same structure as his annual award as part of the 2018 year-end compensation process. The share amount for the performance grant reflects the maximum amount that Mr. Roupie can earn. Due to U.K. tax considerations, Mr. Roupie's performance award is subject to downward adjustment only.

Use of Multi-Year Awards as an Offset Against Future Equity Awards

We have enjoyed significant benefits from, and strongly believe in the retention and incentive value created by, up-front equity awards, provided that such awards are appropriately structured. We believe that performance based multi-year awards adhere to this philosophy by offering strong additional incentives – wealth creation and retention opportunities through both the number of shares earned and the potential for an increase in stock price – without creating excessive risk within the overall compensation framework under which our NEOs are compensated.

In all cases, the multi-year awards are attributed to four or more years of future compensation and reduce the annual compensation awarded to the NEOs for those years of attribution. Importantly, these awards act as dollar for dollar offset against future equity awards:

These awards are calibrated to ensure that they deliver enhanced incentive opportunity and retention without significantly compromising the Committee's ability to grant additional equity to our NEOs on an annual basis. The Committee believes that the Company's use of multi-year awards has been a successful practice which has delivered significant benefits to the executives and our stakeholders.

CEO Awards

CEO – 2015 Performance Award

In January 2015, Mr. McVey was awarded a performance based multi-year award in connection with the execution of a new employment agreement. The award is comprised of two separate performance components: (i) $6 million in performance shares, and (ii) $2 million in premium priced stock options (“Premium Options”).

As previously disclosed, all performance targets for all tranches of this award were met on or before March 2016. Notwithstanding that the performance targets were met in 2016, 50% of the shares delivered to the CEO in settlement of the performance shares did not vest until January 15, 2019 and the remainder will vest January 15, 2020.

The Premium Options vest in three tranches as follows:

Premium Options	
Vesting Date	Options Vested
January 15, 2018	39,933
January 15, 2019	39,972
January 15, 2020	40,076

The expiration date for all Premium Options is July 15, 2020.

CEO – 2018 Performance Award

In connection with the execution of an amended employment agreement that extended the CEO's employment term and the fact that a significant portion of the CEO's January 2015 award was vested on or before January 15, 2019, the CEO was awarded another performance retention award on November 8, 2018 ("2018 Performance Award"). The 2018 Performance Award will be attributed to compensation years 2018 through 2023 (although the first and last years are partial year attributions) as outlined below and will reduce the amount of the variable pay, including equity, that the CEO will receive for those performance years on a dollar for dollar basis.

As described in the 2018 Grants for 2017 Performance section above, multi-year awards reduce the amount of variable compensation, both equity and cash, a NEO can receive in future years. We do not design multi-year awards to fully displace all the annual incentive equity value to the NEO. For example, multi-year awards do not exceed 30-35% of the CEO's target TDC opportunity for any given year. Rather, the portion of the multi-year award attributed to future compensation years is designed to replace a portion of the annual equity incentive value the NEO would have otherwise received in such future year. The Compensation Committee therefore has the flexibility to administer appropriate pay adjustments on an annual basis while still generating enhanced retention value through the multi-year award.

2018 Multi-Year Performance Award		
	Value ($ in thousands)	Attribution
Total Award Value	11,000	—
Year-End 2018 (2 months)		367
Each Year-End 2019 - 2022		2,200
Year-End 2023 (10 months)		1,833

The 2018 Performance Award is contingent both upon meeting certain stock price thresholds as well as tenure requirements:

2018 Multi-Year Performance Award Structure					
	Value ($ in thousands)	Tranche	Target	Target Share Price or Strike Price (in $)	Number of Units
Performance Shares	2,750	1	125% of FMV	257.78	17,942

Performance Shares	2,750	2	135% of FMV	278.40	19,800
Stock Options	2,750	3	125% of FMV	257.78	69,113
Stock Options	2,750	4	135% of FMV	278.40	79,411

The fair market value on the date of grant of the 2018 Performance Award was the closing price of the Company's Common Stock of $206.22 ("FMV"). In order for the CEO to satisfy the stock price thresholds, the Company must achieve an average price per share of common stock at 125% of FMV for the first tranche and 135% of FMV for the second tranche, calculated over twenty consecutive trading days (rounded to the nearest cent), during the performance period. The performance period runs from November 8, 2018 through November 8, 2023. If the Target Share Price for each of the 125% and 135% tranches is not met during this period, the respective shares will be forfeited.

The Stock Options were granted with a strike price of 125% of FMV (third tranche) and 135% of FMV (fourth tranche). As premium priced stock options, these awards will provide value to the CEO only to the extent that the strike price is exceeded by the Company's share price on the date of exercise. The Stock Options vest and are fully exercisable on November 8, 2023. The term of both Stock Options ends on May 8, 2024.

The number of units for all tranches of these awards were determined by an outside advisor hired to run a Monte Carlo simulation.

Based on the Company's market capitalization of approximately $7.76 billion on the grant date, the Company's market capitalization must increase by $1.94 billion for the CEO to realize any value from first tranche at 125% of FMV and by $2.7 billion for the CEO to realize any value from the second tranche at 135% FMV.

Other NEO Awards

On January 22, 2016, Messrs. DeLise, McPherson and Themelis were granted -multi-year awards valued at $1.8 million, $2.5 million and $3.0 million, respectively, as of that date ("NEO Multi-Year Awards"). The NEO Multi-Year Awards were comprised of three components as follows:

- 40% of the award value was granted in the form of performance shares,
- 30% of the value was granted in the form of time-based RSUs, and
- 30% of the value was granted in at-the-money stock options, as shown below.

The NEO Multi-Year Awards were granted to provide additional performance incentives and promote the retention of these key executives. The performance element will ensure that the NEO's interests are aligned with those of our stockholders, while the time-vested RSUs provide retention value. In contrast to our annual grants, which generally vest in 3 equal annual installments, the NEO Multi-Year Awards vest in two 50% installments on each of January 31, 2020 and 2021, the 4th and 5th anniversaries of the grant date.

The NEO Multi-Year Awards cover a five-year period. Accordingly, one-fifth of the grant date value of the NEO Multi-Year Award is attributed to Messrs. DeLise's, McPherson's and Themelis's compensation for performance years 2015 through 2019. The total and annualized value, as well as the number of units received are summarized below:

Value of the NEO Multi-year Awards and Units Granted

		Annual Grant Value	Total Units Granted			Units Earned Performance Shares
	Total Grant Value ($ in thousands)	(Performance Years 2015 - 2019) ($ in thousands)	Performance Shares	RSUs	Stock Options	
Antonio L. DeLise, CFO	1,800	360	6,933	5,200	16,147	7,356
Kevin McPherson, Sales	3,000	600	11,555	8,666	26,865	10,216
Nicholas Themelis, CIO	2,500	500	9,629	7,222	22,388	12,260

The exercise price of the stock options received by Messrs. DeLise, McPherson and Themelis is $103.30, the closing price of the Company's Common Stock on the date of award.

The performance shares are earned based on achieving aggregate operating income targets over three-year and four-year measurement periods ending December 31, 2018 and December 31, 2019. To achieve 100% of the target shares, certain aggregate operating income targets within a target range must be met. The level of performance and the corresponding level of payment are as follows:

Aggregate Operating Income			
Level	Three-Year Cumulative ($ in millions)	Four-Year Cumulative ($ in millions)	Payout Percent
Threshold	527.9	740.2	50%
Target Range - Low	589.6	852.2	100%
Target Range - High	611.2	892.4	100%
Actual Performance through Dec 31, 2018	619.3		106.1%
Outperform	644.6	955.4	125%
Maximum	691.0	1,045.0	150%

Based on the payout percent of 106.1%, the performance shares settled as follows after the conclusion of the 2018 performance year:

	Original Shares	Adjusted Shares
Antonio L. DeLise, CFO	6,933	7,356
Kevin McPherson, Sales	9,629	10,216
Nicholas Themelis, CIO	11,555	12,260

In connection with his hire, Mr. Roupie was awarded a four-year multi-year hire-on grant of 9,367 shares in April 2017 valued at $1.748 million. The grant is comprised of restricted stock with a performance element. Performance was based on two years (2017 and 2018 measurement periods) of internal financial goals as set by management in the first quarter of 2017. The award made to Mr. Roupie vests over a four-year period. Accordingly, one-fourth of the grant date value of the award (or $437,000) was intended to be attributed to his compensation for performance years 2017 through 2020. The earned shares will vest in two equal installments on the third and fourth anniversaries of the grant (April 2020 and April 2021).

In addition, based on his performance during a challenging transition period in our European business in 2018, Mr. Roupie received an annual equity award of $250,000 and an additional equity award of $1.07 million. Both awards were subject to the structures set out in the Flex Share Program pursuant to which Mr. Roupie elected 50% performance shares and 50% restricted stock. In relation to the additional equity award, $267,500 was attributed his 2018 year-end compensation and $267,500 was attributed to the future compensation years 2019 and 2020.

Total Direct Compensation (TDC)

Our compensation decisions for year-end 2018 were a balance between the Company’s record financial results for the tenth consecutive year and its performance in light of its peers, individual performance, market data, and the impact and value of the long-term retention incentives previously awarded to each NEO. A summary of each NEO’s 2018 TDC and the relevant market data can be found below.

2018 Compensation Decisions and Market Data

	Base Salary		Cash Incentive / Bonus	Total Cash	
	Actual ($ in thousands)	Market Positioning	Actual ($ in thousands)	Actual ($ in thousands)	Market Positioning
Richard M. McVey, CEO	500	Below Median	1,890	2,390	Above Median
Antonio L. DeLise, CFO	300	Below 25th	850	1,150	At 75th
Kevin McPherson, Sales	300	Below Median	1,100	1,400	Above 75th
Christophe Roupie, EU/Asia	399	Below Median	466	865	Above Median
Nicholas Themelis, CIO	300	Below 25th	1,175	1,475	Above 75th

	Equity		TDC		
			2018		2017

	Annual Equity Value Granted (1) ($ in thousands)	Residual Multi-Year Value (2) ($ in thousands)	($ in thousands)	Market Positioning	($ in thousands)	Change 2018 vs. 2017
Richard M. McVey, CEO	2,743	1,967	7,100	Below 75th	7,000	1.4 %
Antonio L. DeLise, CFO	390	360	1,900	Above Median	1,800	5.6 %
Kevin McPherson, Sales	350	500	2,250	Above Median	2,325	(3.2)%
Christophe Roupie, EU/Asia	250	438	1,553	Above Median	1,521	2.1 %
Nicholas Themelis, CIO	425	600	2,500	Above Median	2,625	(4.8)%

(1) Represents an annual equity award granted on January 15, 2019 for 2018 performance
(2) See discussion regarding the multi-year awards

Common Stock Ownership Guidelines

We believe that equity-based awards are an important factor in aligning the long-term financial interest of our NEOs and our stockholders. As such, we maintain stock ownership guidelines for our NEOs. Generally, under the guidelines, Mr. McVey is required to own not less than a number of shares of Common Stock equal in value to ten times his base salary using a price of $208.07 per share, which was the average of the daily closing price of our Common Stock for the twelve-month period ending March 31, 2019. At his current base salary of $500,000, Mr. McVey's required ownership level is not less than 24,030 shares. Additionally, effective April 2016, for the remainder of the time Mr. McVey holds the title of CEO and for the twelve months thereafter, Mr. McVey will be required to maintain beneficial ownership of at least 50% of the shares that Mr. McVey received as equity compensation as of the date of the guideline or thereafter. All of Mr. McVey's vested and unvested restricted shares, vested and unvested restricted stock units, settled performance shares, and shares deferred under a non-qualified deferred compensation arrangement will be counted for the post-termination holding requirement; vested and unvested stock options are excluded from the requirement. The other NEOs are required to own not less than three times their base salary as in effect on such date. At their current base salaries of $300,000, Messrs. DeLise's, McPherson's, and Themelis' required ownership is not less than 4,325 shares and Mr. Roupie's required ownership, at a base salary equivalent to $399,000, is not less than 5,753 shares. New NEOs will be subject to the same guidelines and will be required to be in compliance within five years of becoming an NEO. Under our ownership guidelines, shares purchased and held beneficially, vested and unvested RSUs and restricted shares and settled performance shares count toward the minimum ownership requirement. Vested and unvested options and unsettled performance shares are not counted toward the ownership requirement. Compliance with the Common Stock ownership guidelines is reviewed by our Board's Nominating and Corporate Governance Committee (the "Governance Committee") every year or more often at the discretion of the Board or Governance Committee. All of our NEOs are currently in compliance with the guidelines.

NEO Stock Ownership Requirements		
	Requirement	Current Holdings
Richard M. McVey, CEO	10x	434x
Antonio L. DeLise, CFO	3x	31x
Kevin McPherson, Sales	3x	62x
Christophe Roupie, EU/Asia	3x	2x
Nicholas Themelis, CIO	3x	38x

Incentive Compensation Clawback

Each of our incentive plans contain a clawback provision that allows the Company to recoup all or part of the year-end incentive compensation paid to NEOs in the event of a misstatement of financial results discovered within 12 months of December 31st of the respective performance year. The clawback is structured so that funds that were accrued under the Employee Cash Incentive Plan as a result of a misstatement of financial results may be recaptured by the Company. In addition, Mr. McVey's employment agreement provides the Company with the right to recapture all compensation paid, whether in the form of cash, Common Stock or any other form of property, to the extent required by the Dodd-Frank Act and the Remuneration Code published by the U.K. Financial Conduct Authority.

Prohibition of Employee Hedging

NEOs and all other employees are prohibited from engaging in transactions that hedge the market value of the Company's Common Stock. The most readily available and complete hedge is shorting the Common Stock, which is expressly prohibited under the Company's Insider Trading Policy.

Other Benefits

We provide our NEOs with the same benefits offered to all other employees. The cost of these benefits constitutes a small percentage of each NEO's total compensation. In the U.S. and the U.K., key benefits include paid vacation, premiums paid for group life insurance and disability policies, employer contributions to the NEO's retirement account, and the payment of all or some of the NEO's healthcare premiums in fiscal year 2018. We review these other benefits on an annual basis and make adjustments as warranted based on competitive practices and our performance. Comparable benefits are offered to employees in other geographic locations in which we operate.

Compensation Committee Discretion

The Compensation Committee retains the discretion to decrease or eliminate all forms of incentive awards based on its performance assessment, whether individual or Company-based. Likewise, the Compensation Committee retains the discretion to provide additional payouts and/or consider special awards for significant achievements, including but not limited to achieving superior operating results, strategic accomplishments and/or consummation of partnerships, acquisitions or divestitures.

Severance and Change in Control Arrangements

In hiring and retaining executive level talent, the Compensation Committee believes that providing the executive with a level of security in the event of an involuntary termination of employment or in the event of a change in control is an important and competitive part of the executive's compensation package. We entered into an employment agreement with Mr. McVey that provides for severance payments and benefits in the event of the termination of his employment under certain circumstances. In addition, the terms of our annual equity grant award agreements with Mr. McVey provide for accelerated vesting of his equity awards in the event of termination of his employment under certain circumstances or upon a change in control of the Company. While retention grants also accelerate upon certain terminations of employment after a qualifying change in control event, accelerated vesting is limited to 24 months, as the Compensation Committee did not feel it necessary to provide full acceleration of the retention grants.

While Mr. McVey's employment agreement is designed to protect him in the event of a change in control, it does not provide for "single-trigger" protection, nor does the Company provide any 280G protection or "gross-up" for excise taxes that may be imposed under Code Section 4999. The agreement does provide that if any payments or benefits paid or provided to him would be subject to, or result in, the imposition of the excise tax imposed by Code Section 4999, then the amount of such payments will be automatically reduced to one dollar less than the amount that subjects such payment to the excise tax, unless he would, on a net after-tax basis, receive less compensation than if the payment were not so reduced.

The other NEOs are entitled to severance payments and benefits in the event of termination of their employment under certain circumstances pursuant to the terms of the MarketAxess Severance Pay Plan (as amended effective November 21, 2016).

See below under Executive Compensation — Potential termination or change in control payments and benefits for information regarding these payments and benefits.

Impact of Tax and Accounting

As a general matter, the Compensation Committee reviews and considers the tax and accounting implications of using the various forms of compensation employed by the Company.

When determining the size of grants to our NEOs and other employees under the Company's Equity Incentive Plan, the Compensation Committee examines the accounting cost associated with the grants. Under FASB ASC Topic 718, grants of stock options, restricted stock, RSUs, performance shares and other share-based payments result in an accounting charge for the Company. The accounting charge is equal to the fair value of the instruments being issued. For restricted stock, RSUs and performance shares, the cost is equal to the fair value of the Common Stock on the date of grant times the number of shares or units granted. For stock options, the cost is equal to the fair value determined using an option pricing model. This expense is recognized over the requisite service or performance period.

Code Section 162(m) generally prohibited any publicly-held corporation from taking a Federal income tax deduction for compensation paid in excess of $1 million in any taxable year to certain executive officers and certain other individuals. Exceptions to this rule had historically included qualified performance-based compensation. However, this performance-based exception from the deduction limit has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our U.S. named executive officers in excess of $1 million is not deductible unless it qualifies for the limited transition relief applicable to certain arrangements in place as of November 2, 2017. While the Compensation Committee considers tax deductibility as one factor in determining executive compensation, the Compensation Committee also looks at other factors in making its decisions, as noted above, and retains the flexibility to award compensation that it determines to be consistent with the goals of our executive compensation program even if the awards are not deductible by us for tax purposes. There can be no assurance that any compensation will in fact be deductible.

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis to be included in this Proxy Statement. Based on the reviews and discussions referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee of the

Board of Directors:

John Steinhardt — Chair

Steven L. Begleiter

COMPENSATION RISK ASSESSMENT

NEOs and Senior Management Team

Our Compensation Committee annually reviews compensation recommendations for our NEOs and certain other employees of the Company. Specifically, the Compensation Committee is presented with benchmark data and compensation recommendations made by Mr. McVey (excluding for himself), in conjunction with Grahall, our independent compensation consultant, for our senior management team. In 2018, in addition to providing market data for our NEOs, Grahall provided market data for the following positions comprising the senior management team (each, a "Senior Manager" and collectively "Senior Management"):

- Global General Counsel
- Global Head of Human Resources
- Global Head of Marketing and Communications
- Product Manager, Open Trading
- Global Head of Operations

Grahall also provided the Compensation Committee with summary benchmark and compensation data for all other employees of the Company in the aggregate.

The compensation recommendations for Senior Management are reviewed by the Compensation Committee and factor into the Compensation Committee's decision-making process in the same manner as decisions concerning compensation for the NEOs (other than Mr. McVey). The Compensation Committee believes that the Company has the right pay mix in place to mitigate a short-term orientation and short-term risk-taking. While a significant portion of executive compensation is performance-based and provides significant award potential, we believe that our compensation program as a whole is sound and does not encourage excessive risk-taking. Specifically:

- Use of long-term incentives — A meaningful portion of the equity compensation received by our NEOs and Senior Managers vests over a three-year or longer period. Therefore, Senior Managers are encouraged to have a long-term outlook, which mitigates short-term risk. Given their equity holdings, poor performance that decreases our Common Stock price negatively impacts the senior management team and our stockholders alike.
- Detrimental Activity Clause — Each equity award made by the Company is done so pursuant to a written agreement that contains a clause prohibiting certain activities that are detrimental to the Company. Pursuant to this clause, detrimental activity by an equity award recipient can result in the Company's enforcement of a clawback of equity granted to that employee.
- Share ownership guidelines — The Company has adopted share ownership guidelines, which require our NEOs to hold a portion of their annual base salary in shares of Common Stock of the Company. This ensures that each executive will maintain a significant amount of wealth in our Common Stock, and when the Common Stock price declines, executives will lose value as stockholders do. As a significant portion of each NEO's compensation is awarded in equity, we believe the Common Stock ownership guidelines motivate the NEOs to align personal performance and decision-making with stockholder value creation and improvement of our financial results on a long-term basis. Other Senior Managers generally have the same portion of TDC allocated to equity as the NEOs.
- Performance shares — To realize value on any grant of performance shares, Senior Managers and NEOs must satisfy performance criteria after the award is made and then hold the performance shares until they are fully vested. 50% of the shares ultimately earned are not available until the second anniversary of the grant date and the other 50% of the shares ultimately earned are not available until the third anniversary of the grant date (in each case, absent a termination event after a qualifying change in control). This additional holding period requires NEOs and Senior Managers to remain employed with the Company and exposes the shares to additional market risk during the holding

period, thus aligning their interests with those of our stockholders.

- Clawbacks for restatements — We have a clawback policy regarding cash incentives for our NEOs that provides that if our financial results are restated within twelve months of December 31st of the respective performance year — whether through mistake or wrongdoing — the Company has the legal right to recapture an appropriate portion of any bonuses paid. This clawback policy was based upon, but exceeds the requirements of, the model presented in the Sarbanes Oxley Act of 2002. In addition, Mr. McVey's employment agreement includes the Company's right to recapture all compensation paid to him, whether in the form of cash, the Company's Common Stock or any other form of property, as required by the Dodd-Frank Act and the Remuneration Code published by the Financial Conduct Authority.
- Limited maximum opportunity — Additionally, our annual incentive pool for NEOs subject to Section 162(m) is capped and we have implemented a decreasing accrual rate at higher performance levels for the incentive pool and our Employee Plan. This reduces the likelihood of the NEOs and Senior Managers taking unnecessary risk for short-term gains.

Other Employees

The Global Management Team regularly reviews our compensation practices to determine whether they create appropriate incentives for our broader employee base and do not motivate imprudent risk taking. Additionally, this team, together with the Chief Audit and Risk Officer and guided by the Risk Committee of the Board, assesses our Company business strategies and plans, as well as departmental strategies and plans, to ensure that appropriate policies and procedures are in place for identifying, evaluating, measuring, monitoring and managing risks. The Chief Audit and Risk Officer regularly prepares updates and reports for both the Risk and Audit Committees of the Board which, in turn, update the full Board as to the Company's risk profile.

Conclusion

Based on our internal analysis and the controls that are in place, each of the Compensation, Risk and Audit Committees of the Board believes that the Company's compensation policies and practices for its employees do not encourage excessive risk-taking or fraud and are not reasonably likely to have a material adverse effect on the Company.

EXECUTIVE COMPENSATION

Summary compensation table

The following table sets forth all compensation received during fiscal years 2016, 2017 and 2018 by our (i) Chief Executive Officer, (ii) Chief Financial Officer, (iii) Global Head of Sales, (iv) Head of Europe and Asia and (v) Chief Information Officer. These executives are referred to as our “named executive officers” or “NEOs” elsewhere in this Proxy Statement.

2018 Summary Compensation Table

Name and Principal Position	Year	Salary($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(3)	Non- Equity Incentive Plan Compensation ($)(4)	All Other Compen-sation ($)(5)	Total ($)
Richard M. McVey	2018	500,000	1,890,000	7,590,245	6,399,840	—	245,098	16,625,183
Chief Executive Officer	2017	500,000	—	2,266,198	982,681	1,890,000	223,757	5,862,636
	2016	500,000	—	2,145,006	893,891	2,100,000	194,565	5,833,462
Antonio L. DeLise	2018	300,000	850,000	337,809	—	—	19,519	1,507,328
Chief Financial Officer	2017	300,000	800,000	232,218	113,080	—	26,073	1,471,371
	2016	300,000	900,000	1,301,273	522,325	—	25,194	3,048,792
Kevin McPherson	2018	300,000	1,100,000	347,762	—	—	22,061	1,769,824
Global Head of Sales	2017	300,000	—	152,009	—	1,175,000	40,728	1,667,737
Christophe Roupie (6)	2018	399,000	466,000	251,441	—	—	16,610	1,133,051
Head of Europe and Asia, MarketAxess Europe Limited and Trax	2017	315,875	432,000	1,749,194	—	—	13,616	2,510,685
Nicholas Themelis	2018	300,000	1,175,000	472,087	—	—	29,238	1,976,325
Chief Information Officer	2017	300,000	—	354,025	153,525	1,250,000	46,071	2,103,621
	2016	300,000	—	2,471,790	870,488	1,400,000	33,077	5,075,355

(1) Mr. Roupie’s salary represented a partial year of service for 2017.
(2) Prior to the elimination of Section 162(m), the NEOs were paid under separate incentive plans. As of 2018, all NEOs are paid under the Employee Incentive Plans.
(3) The amounts represent the aggregate grant date fair value of stock and option awards granted by the Company in 2016, 2017 and 2018, computed in accordance with FASB ASC Topic 718. For further information on how we account for stock-based compensation, see Note 9 to the consolidated financial statements included in the

Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 20, 2019. These amounts reflect the Company's accounting expense for these awards and do not correspond to the actual amounts, if any, that will be realized by the named executive officers. The amounts reported for stock awards in 2016, 2017 and 2018 include performance shares. For 2018, the reported fair value of the performance shares are $1,190,218, $117,587, $121,022, $100,077 and $189,460 for Messrs. McVey, DeLise, McPherson, Roupie and Themelis, respectively. The fair value of the performance shares is reported based on achievement of 100% of the target performance goals, which represents the probable outcome of the performance goals. If the Company achieves the maximum performance goals, then the fair value of the performance shares granted in 2018 would be $1,785,326, $176,380, $181,532, $150,116 and $281,845 for Messrs. McVey, DeLise, McPherson, Roupie and Themelis, respectively. In November 2018, Mr. McVey was awarded a retention equity award that consists of performance shares and performance-based stock options with an aggregate fair value of $11,000,000.

(4) These amounts represent amounts earned under the Performance Incentive Pool prior to 2018 with respect to Messrs. McVey, McPherson and Themelis. The Performance Incentive Plan was discontinued with the passage of the Tax Cuts and Jobs Acts of 2017.

(5) These amounts represent employer matching contributions to the Company's 401(k) defined contribution plan of $7,000 to each NEO (other than Mr. Roupie who received $15,362 under the UK Pension Scheme) for each year reported and dividends credited in each year reported on unvested restricted stock and unvested deferred and non-deferred restricted stock units.

(6) All compensation for Mr. Roupie in this Executive Compensation section is reported in U.S. dollar terms assuming a conversation rate of 1.33 USD to 1 GBP.

Grants of plan-based awards

The following table summarizes the grants of performance shares, performance awards, restricted stock units and stock options we made to the named executive officers in 2018, as well as potential payouts pursuant to certain performance-based compensation arrangements. There can be no assurance that the grant date fair value of stock awards will ever be realized.

2018 Grants of Plan-Based Awards Table

Name	Approval Date	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($ / Sh)	Grant Date Fair Value of Stock and Option Awards ($) (1)
Richard M. McVey	1/8/2018	1/15/2018	—	—	—	4,418	—	—	900,035
	1/8/2018	1/15/2018 (2)	2,946	5,891	8,837	—	—	—	1,190,218
	1/8/2018	1/15/2018 (3)	—	—	—	—	16,037	204	899,831
	11/6/2018	11/8/2018 (4)	—	—	—	17,942	—	—	2,750,000
	11/6/2018	11/8/2018 (4)	—	—	—	19,800	—	—	2,750,000
	11/6/2018	11/8/2018 (5)	—	—	—	—	69,113	258	2,750,000
	11/6/2018	11/8/2018 (5)	—	—	—	—	79,411	278	2,750,000
Antonio L. DeLise	1/8/2018	1/15/2018	—	—	—	1,081	—	—	220,221
	1/8/2018	1/15/2018 (2)	291	582	873	—	—	—	117,587
Kevin McPherson	1/8/2018	1/15/2018	—	—	—	1,113	—	—	226,740
	1/8/2018	1/15/2018 (2)	300	599	899	—	—	—	121,022
Christophe Roupie	1/8/2018	1/15/2018	—	—	—	743	—	—	151,364
	1/8/2018	1/15/2018 (2)	248	495	743	—	—	—	100,077
	1/8/2018	1/15/2018	—	—	—	1,395	—	—	284,189

Nicholas Themelis										
	1/8/2018	1/15/2018	(2)	465	930	1,395	—	—	—	187,897

(1) The value of a restricted stock unit is based on the fair value of such award, computed in accordance with FASB ASC Topic 718. The value of a performance share is based on the fair value of such award assuming 100% of target, computed in accordance with FASB ASC Topic 718. For further information on how we account for stock-based compensation, see Note 9 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

(2) Reflects the number of performance shares that would vest based on the level of achievement by the Company of pre-tax operating income targets for the 2018 calendar year performance period. For each performance share earned, a participant would be awarded an equal number of shares of restricted stock that would vest and cease to be restricted stock in equal 50% installments on each of the second and third anniversaries of the date of grant of the applicable performance share, subject to the participant's continued service. For 2018, the pay-out achievement of the performance shares was 100% of target for all NEOs except for Mr. Roupie, who earned 67% of his award. Mr. Roupie's award was structured such that the grant amount was the maximum amount that could be earned under the terms of the award.

(3) The stock option amounts vest in three equal installments on each of January 31, 2019, 2020 and 2021.

(4) On November 8, 2018, Mr. McVey received a performance share award. The fair market value ("FMV") on the date of grant was the closing price of the Company's Common Stock of $206.22. To earn the Performance Shares, the Company must achieve an average price per share of common stock at 125% of FMV for the first tranche of 17,942 shares and 135% of FMV for the second tranche of 19,800 shares, calculated over twenty consecutive trading days (rounded to the nearest cent), during the performance period. The performance period runs from November 8, 2018 through November 8, 2023. If the performance Target Share Price for each of the 125% and 135% tranches is not met during this period, the respective shares are forfeited.

(5) On November 8, 2018, Mr. McVey received performance-based stock options. The Stock Options were granted with a strike price of 125% of FMV and 135% of FMV. As premium priced stock options, these awards provide value to the CEO only to the extent that the strike price is exceeded by the Company's share price on the date of exercise. The Stock Options vest and are fully exercisable on November 8, 2023. The term of both Stock Options expires on May 8, 2024.

Outstanding equity awards at fiscal year-end

The following table summarizes unexercised stock options, shares of restricted stock and restricted stock units that had not vested, and related information for each of our named executive officers, as of December 31, 2018. The market value of restricted stock awards and restricted stock units is based on the closing price of the Company’s Common Stock on December 31, 2018 of $211.31.

Outstanding Equity Awards - Year End 2018

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Richard M. McVey	110,779		21.56	1/19/2021				
	39,933		88.25	7/15/2020				
	18,761		101.77	1/15/2022				
	8,335		156.85	1/15/2023				
		80,048	88.25	7/15/2020				
		9,241	101.77	1/15/2022				
		16,180	156.85	1/15/2023				
		16,037	203.72	1/15/2024				
		69,113	257.78	5/8/2024				
		79,411	278.40	5/8/2024				
(3)					116,659	24,651,213		
(4)					2,981	629,915		
(4)					8,383	1,771,412		
(5)					4,107	867,850		
(6)					5,177	1,093,952		
(8)					4,418	933,568		
(9)							5,891	1,244,827
(10)							37,742	7,975,262
Antonio L. DeLise	959		156.85	1/15/2023				
		16,120	103.30	1/22/2022				

			1,862	156.85	1/15/2023				
	(4)					101	21,342		
	(4)					116	24,512		
	(11)					5,200	1,098,812		
	(5)					473	99,950		
	(6)					481	101,640		
	(8)					1,081	228,426		
	(12)							7,356	1,554,396
	(9)							582	122,982
Kevin McPherson			22,388	103.30	1/22/2022				
	(11)					7,222	1,526,081		
	(5)					418	88,328		
	(6)					212	44,798		
	(8)					1,113	235,188		
	(12)							10,216	2,158,743
	(9)							599	126,575
Christophe Roupie	(8)					743	157,003		
	(7)							9,367	1,979,341
	(9)							743	157,003
Nicholas Themelis		1,302		156.85	1/15/2023				
			26,865	103.30	1/22/2022				
			2,528	156.85	1/15/2023				
	(4)					808	170,738		
	(4)					8,666	1,831,212		
	(11)					917	193,771		
	(5)					642	135,661		
	(6)					809	170,950		
	(8)					1,395	294,777		
	(12)							12,260	2,590,661
	(9)							930	196,518

(1) Of the 80,048 stock options for Mr. McVey, 50% vested on January 15, 2019 and the remainder will vest on January 15, 2020. The 9,241 stock options for Mr. McVey were fully vested on January 31, 2019. Of the 16,180 stock options for Mr. McVey, 50% vested on January 31, 2019 and the remainder will vest on

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January 31, 2020. Of the 16,037 stock options for Mr. McVey, 5,452 vested January 31, 2019 and 50% of the remainder will vest on each of January 31, 2020 and 2021. The 69,113 and 79,411 stock options granted to Mr. McVey will vest in full on November 8, 2023. The 16,120 stock options for Mr. DeLise, the 22,388 options for Mr. McPherson, and the 26,865 stock options for Mr. Themelis will vest 50% each on January 31, 2020 and 2021. Of the 2,821 stock options for Mr. DeLise and the 3,830 stock options for Mr. Themelis, 50% vested on January 31, 2019 and the remainder will vest on January 31, 2020. The stock options will also vest and become exercisable in the event of certain terminations of their employment. See Executive Compensation — Potential termination or change in control payments and benefits for additional information.

(2) Each share of restricted stock and each restricted stock unit represents one share of the Company's Common Stock that is subject to forfeiture if the applicable vesting requirements are not met. Generally, vesting is subject to the NEOs continued employment through the vesting date, except that shares of restricted stock and restricted stock units will vest in the event of certain terminations of employment and, in certain circumstances, may vest upon a change in control. See Executive Compensation — Potential termination or change in control payments and benefits for additional information.

(3) For Mr. McVey, the performance criteria for the 116,659 shares were met. 50% of the shares vested on January 15, 2019 and the remainder will vest on January 15, 2020.

(4) These restricted shares and restricted stock units fully vested on January 31, 2019.

(5) For Messrs. McVey, DeLise, McPherson, and Themelis, 2,053 RSUs, 236 RSUs, 209 RSUs, and 321 RSUs vested, respectively, on January 31, 2019 and 2,054 RSUs, 237 RSUs, 209 RSUs, and 321 RSUs will vest, respectively, on January 31, 2020.

(6) 50% of the unvested shares vested on January 31, 2019 and the remainder will vest on January 31, 2020.

(7) 9,367 shares for Mr. Roupie that were outstanding as of December 31, 2018 represent 100% of his target unearned performance shares awarded on April 1, 2017. 50% of the unsettled shares will settle, subject to achievement of applicable performance goals, and vest on each of April 1, 2020 and 2021.

(8) For Mr. McVey, 1,502 RSUs vested on February 15, 2019, and 50% of the remainder will vest on each of January 31, 2020 and 2021. For Mr. DeLise, 367 RSUs vested on January 31, 2019, and 50% of the remainder will vest on each of January 31, 2020 and 2021. For Mr. McPherson, 378 RSUs vested on January 31, 2019, and 50% of the remainder will vest on each of January 31, 2020 and 2021. For Mr. Roupie, 252 of his restricted stock vested on January 31, 2019, and 50% of the remainder will vest on each of January 31, 2020 and 2021. For Mr. Themelis, 474 RSUs vested on January 31, 2019, and 50% of the remainder will vest on each of January 31, 2020 and 2021.

(9) 5,891 shares for Mr. McVey, 582 shares for Mr. DeLise, 599 shares for Mr. McPherson and 930 shares for Mr. Themelis outstanding as of December 31, 2018 represent 100% of the target performance shares awarded on January 15, 2018 and reflect earned share amounts that settled in January 2019. 495 shares of the original 743 for Mr. Roupie represents 67% of the shares awarded January 15, 2018. The settled share amount will vest in two equal installments each on January 31, 2020 and 2021.

(10) 37,742 shares for Mr. McVey outstanding as of December 31, 2018 represent 100% of the target unearned performance shares awarded on November 8, 2018. The shares will settle when applicable performance goals are met. The shares will vest in full on November 8, 2023.

(11) For Mr. DeLise, 2,600 shares will vest on each of January 31, 2020 and 2021. For Mr. McPherson, 3,611 shares will vest on each of January 31, 2020 and 2021. For Mr. Themelis, 4,333 shares will vest on each of January 31, 2020 and 2021.

(12) 7,356 shares for Mr. DeLise, 10,216 shares for Mr. McPherson and 12,260 shares for Mr. Themelis outstanding as of December 31, 2018 represent 106.1% of their target unearned performance shares awarded on January 22, 2016 that settled in January 2019. The settled shares will vest in two equal installments each on January 31, 2020 and 2021.

Option exercises and stock vested

The following table summarizes each exercise of stock options, each vesting of restricted stock and related information for each of our named executive officers on an aggregated basis during 2018.

2018 Option Exercises and Stock Vesting				
	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Name	(#)	($)(1)	(#)	($)(2)
Richard M. McVey	109,190	15,447,795	46,031	9,663,175
Antonio L. DeLise	—	—	2,354	461,879
Kevin McPherson	—	—	9,010	1,810,186
Christophe Roupie	—	—	—	—
Nicholas Themelis	—	—	7,739	1,518,469

(1) Value realized represents the market value on the date of exercise in excess of the exercise price.
(2) Value realized represents the market value on the date of vesting.

Nonqualified deferred compensation

All U.S.-based NEOs were eligible to elect to defer the settlement of the RSUs awarded in whole or in part (see Long-term incentives — Equity-based Awards above). The following table sets forth information with respect to vested RSUs held by Messrs. McVey and DeLise as of December 31, 2018, for which they have elected to defer the delivery of the underlying shares until the earlier of (i) separation of service (within the meaning of Code Section 409A), subject to the six-month delay required under Code Section 409A, (ii) a change of control of the Company and (iii) the calendar year in which the applicable anniversary following vesting occurs:

Deferral Elections				
Name	Award / Deferral Date	Amount Deferred (#)	Re-deferral Date	Deferral Period (Years)
Richard M. McVey	1/14/2011	67,961	12/01/2015	10
	1/19/2011	119,565	12/01/2015	10
	1/13/2012	48,616	N/A (1)	5
	1/15/2013	44,882		7
	1/15/2014	26,067		5
	1/15/2015	25,084		5
	1/15/2016	9,033		5
	1/15/2017	6,222		separation of service
	1/15/2018	4,418		3
	1/15/2019	7,757		
Antonio L. DeLise	1/13/2012	16,260	10/18/2016	10
	1/15/2014	3,028	N/A (2)	5
	1/15/2015	2,763	N/A (2)	4

(1) Mr. McVey did not elect to re-defer his January 2012 RSU award. In each of February 2018 and January 2019, he took receipt of 16,205 shares underlying the previously deferred RSUs.
(2) Mr. DeLise did not elect to re-defer his January 15, 2014 and 2015 RSU awards. He will begin to take receipt of the shares underlying the RSUs in February 2020.

In addition, for Mr. DeLise, the table below includes $637,500 of the cash bonus paid to Mr. DeLise for performance for 2018 that he voluntarily deferred under our non-qualified deferred cash plan.

2018 Non-Qualified Deferred Compensation Table					
Name	Executive Contributions in Last Fiscal Year ($)(1)(2)	Registrant Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals / Distributions ($)	Aggregate Balance at Last Fiscal Year- End

		($)	($)(3)(4)		($)(5)(6)
Richard M. McVey	2,682,566	—	4,502,009	3,223,175	78,672,947
Antonio L. DeLise	821,660	—	1,164,312	—	9,485,244
Kevin McPherson	—	—	—	—	—
Nicholas Themelis	—	—	—	—	—

(1) For Mr. McVey, reflects the market value of the Common Stock underlying 11,259 RSUs that vested on January 31, 2018, and 2,115 RSUs that vested on February 14, 2018 based on the closing price of our Common Stock on such dates of $196.21 and $197.60, respectively. In addition, it includes the value of amounts accrued and unpaid under dividend equivalent rights in 2015 through 2017 as of such vesting dates. The dividend equivalents are equal in amount to the ordinary cash dividends paid to the holders of our Common Stock in 2015 through 2017 and will be paid when the applicable RSU vests.

For Mr. DeLise, reflects the market value of Common Stock underlying 912 RSUs that vested on January 15, 2018 based on the closing price of our Common Stock of $196.21. In addition, it includes the value of amounts accrued and unpaid under dividend equivalent rights in 2015 through 2017 as of such vesting dates. The dividend equivalents are equal in amount to the ordinary cash dividends paid to the holders of our Common Stock in 2015 through 2017 and will be paid when the applicable RSU vests.

(2) For Mr. DeLise, his 2018 contributions included $637,500 that he elected to defer under the voluntary non-qualified deferred cash plan, which is a portion of the cash bonus of $850,000 reported in the Summary Compensation Table for 2018

(3) Aggregate Earnings with respect to vested and undelivered RSUs includes changes in the market value of the shares of Common Stock underlying the RSUs based on the difference of the closing price of our Common Stock on December 29, 2018 of $211.31 and the closing price of our Common Stock on the date of vesting, as well as the value of amounts accrued under a dividend equivalent right in 2018 that were unpaid as of December 31, 2018. Additionally, Aggregate Earnings include the difference in value of shares of Common Stock underlying the RSUs deferred by Mr. DeLise in 2012, 2014 and 2015 and by Mr. McVey in 2013, 2014, 2015, 2016 and 2017 at Fiscal Year End 2018 versus Fiscal Year End 2017, as well as the value of accrued but unpaid dividend equivalents. These amounts are not included in the Summary Compensation table because plan earnings were not preferential or above market.

(4) Negative earnings of -$130,431 were added to Mr. DeLise’s Aggregate Earnings for 2018 representing the negative returns he incurred through the non-qualified deferred cash plan.

(5) The vested and undelivered RSUs were previously reported in the "Stock Awards" column of the Summary Compensation Table for fiscal years 2015, 2016, and 2017, in accordance with SEC rules. The value of the Aggregate Balance at Last Fiscal Year End for the RSUs was determined by adding all Executive Contributions for Fiscal Year-End 2018 to any Aggregate Earnings for Fiscal Year 2018 and the Aggregate Balance at Last Fiscal Year-End as previously reported for year-end 2017 ($74,711,547 for McVey and $7,499,271 for Mr. DeLise).
(6) Mr. Roupie is not included in the table because he is not eligible to be a participant in the plans.

Employment agreements and severance arrangements with our named executive officers

Richard M. McVey Employment Agreement

Effective November 8, 2018, Mr. McVey and the Company entered into an amendment to his employment agreement (the "CEO Employment Agreement") providing for an initial term ending on January 15, 2025 with successive one-year automatic renewals unless either party elects not to extend the term at least 90 days prior to the last day of the term.

The CEO Employment Agreement provides that Mr. McVey will be employed by us as Chief Executive Officer and Chairman of the Board of Directors, and his employment may be terminated by him or by the Company at any time. Mr. McVey's annual base salary under the CEO Employment Agreement is a minimum of $500,000 per year.

Under the CEO Employment Agreement, Mr. McVey is eligible to receive an annual bonus in accordance with the Company's annual performance incentive plan as is in effect from time to time and is entitled to participate in all benefit plans and programs available to our other senior executives, at a level commensurate with other senior management of the Company.

The CEO Employment Agreement provides for severance payments and benefits (subject to Mr. McVey's execution of a waiver and general release) if Mr. McVey's employment is terminated under various conditions. See below under Executive Compensation — potential termination or change in control payments and benefits for a description of such payments and benefits.

The CEO Employment Agreement provides that any award gains and annual incentive awards received by Mr. McVey are subject to potential claw-back under policies adopted by the Company to comply with applicable law, rules or other regulatory requirements.

For purposes of the CEO Employment Agreement, "Cause" generally means Mr. McVey's:

- willful misconduct or gross negligence in the performance of his duties;
- conviction of, or plea of guilty or nolo contendere to, a crime relating to us or any of our affiliates, or any felony; or
- material breach of his employment agreement or any other material written agreement with us.

For purposes of the CEO Employment Agreement, "Good Reason" generally means:

- Mr. McVey's no longer holding the title of Chief Executive Officer, or the failure of the Board to nominate him as a director or, once elected to the Board, the failure of the Board to elect him as Chairman;
- a material diminution in his duties, authorities or responsibilities or the assignment of duties or responsibilities materially adversely inconsistent with his then-current position (other than as a result of his ceasing to be a director);
- our material breach of his employment agreement;
- a relocation of his principal place of business of more than 50 miles; or
- our failure to obtain a reasonably satisfactory written agreement from any successor to all or substantially all of our assets to assume and agree to perform our obligations under his employment agreement.

For purposes of the CEO Employment Agreement, “Change in Control” generally means:

- an acquisition representing 50% or more of the combined voting power of our then outstanding securities;

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- a change in the majority of the members of our Board during any two-year period, unless such members are approved by two-thirds of the Board members who were members at the beginning of such period or members whose nominations were so approved;
- our merger or consolidation, other than (a) a transaction resulting in our voting securities outstanding immediately prior thereto continuing to represent more than 50% of the combined voting power of the voting securities of such surviving entity immediately after such transaction or (b) a transaction effected to implement a recapitalization (or similar transaction) in which no person acquires more than 50% of the combined voting power of our then outstanding securities; or
- our stockholders' approval of a plan of complete liquidation or the consummation of the sale or disposition of all or substantially all of our assets other than (a) the sale or disposition of all or substantially all of our assets to a beneficial owner of 50% or more of the combined voting power of our outstanding voting securities at the time of the sale or (b) pursuant to a spinoff type transaction of such assets to our stockholders.

Severance Pay Plan

Messrs. DeLise, McPherson and Themelis do not have employment agreements with us but are entitled to severance payments and benefits under the Company's Severance Pay Plan (the "Severance Plan") in the event their employment is terminated by us for any reason other than a termination for Cause. Effective November 2016, we amended our Severance Plan to provide certain executives, excluding the CEO but including our CFO, Head of Sales and CIO ("Participating Executives"), with enhanced benefits for a qualifying termination. The amended provision provides the Participating Executives with 52 weeks of continued base salary and healthcare coverage. In addition, they will receive a severance payment equal to one time the average of the annual full-year cash bonuses received by each respective participant for the three prior years. In consideration of eligibility, the Participating Executives agreed to provide us with not less than three months' prior written notice in the event of a voluntary termination.

"Cause" is generally defined in the Severance Plan as (i) an employee's act or omission resulting or intended to result in personal gain at our expense; (ii) an employee's misconduct; (iii) performance of duties by an employee in a manner we deem to be materially unsatisfactory; (iv) "cause" (or words of like import) as defined in an agreement between us and the employee; or (v) an employee's improper disclosure of proprietary or confidential information or trade secrets, or intellectual property that we are under a duty to protect.

Proprietary Information and Non-Competition Agreements

Each of our U.S. – based NEOs has entered into, and is subject to the terms of, a Proprietary Information and Non-Competition Agreement with us that contains, among other things, (i) certain provisions prohibiting disclosure of our confidential information without our prior written consent, (ii) certain non-competition provisions that restrict their engaging in certain activities that are competitive with us during their employment and for one year thereafter for the CEO, and six months thereafter for the CFO, Head of Sales and CIO, and (iii) certain non-solicitation provisions that restrict their recruiting, soliciting or hiring our non-clerical employees or consultants, or soliciting any person or entity to terminate, cease, reduce or diminish their relationship with us, during their employment and for two years thereafter.

Christophe Roupie U.K. Employment Contract

Effective March 15, 2017, Mr. Roupie and MarketAxess Europe Limited entered into an employment agreement ("EU Employment Agreement") pursuant to which Mr. Roupie is entitled to receive an annual base salary equal to $399,000 and is eligible to participate in our discretionary cash bonus and equity plans.

In addition, the EU Employment Agreement provides for a mutual notice period of no less than three months in advance of termination of employment. Under the EU Employment Agreement, Mr. Roupie is subject to (i) certain provisions that prohibit disclosure of our confidential information without our prior written consent and (ii) a six-month restricted period during which he is subject to (a) certain non-competition provisions that restrict his engaging in certain activities that are competitive with us and (b) certain non-solicitation provisions that restrict his recruiting, soliciting, and hiring of our non-clerical employees. The EU Employment Agreement allows for adjustment of compensation due to performance, as well as other clawback provisions as required under the U.K. Remuneration Code and similar statutes in Europe.

Under a U.K. redundancy plan, Mr. Roupie receives two weeks of redundancy pay per year of service in the event of any involuntary termination other than for cause.

Potential termination or change in control payments and benefits

Mr. McVey is entitled to certain payments and benefits pursuant to his employment agreement and other agreements entered into between us and him upon a termination of his employment in certain circumstances or in the event of a Change in Control of the Company. Messrs. DeLise, McPherson, and Themelis do not have employment agreements with us but are entitled to severance payments and benefits under the Severance Plan and pursuant to certain equity grants. Mr. Roupie is entitled to benefits associated with certain equity awards.

The following tables estimate the payments we would be obligated to make to each of our NEOs as a result of his termination or resignation under the circumstances shown or because of a Change in Control, in each case assuming such event had occurred on December 31, 2018. We have calculated these estimated payments to meet SEC disclosure requirements. The estimated payments are not necessarily indicative of the actual amounts any of our NEOs would receive in such circumstances. The table excludes (i) compensation amounts accrued through December 31, 2018 that would be paid in the normal course of continued employment, such as accrued but unpaid salary, and (ii) vested account balances under our 401(k) Plan that are generally available to all of our salaried employees. Where applicable, the information in the table uses a price per share for our Common Stock of $211.31, the closing price on December 31, 2018. In addition, where applicable, the amounts listed for bonuses reflect the actual amounts paid to the NEOs in the year following each of the performance years 2015 through 2017, since the hypothetical termination or Change in Control date is the last day of the fiscal year.

Payments and Benefits for Richard M. McVey, CEO									
	Base Salary (1) ($)	Cash Bonus (2) ($)	Health Benefits (3) ($)	Restricted Stock Acceleration (4) ($)	Performance Share Acceleration (5) ($)	Restricted Stock Unit Acceleration (6) ($)	Stock Option Acceleration (7) ($)	Payment Reduction (8) ($)	Total ($)
Termination Without Cause or for Good Reason Outside a Change in Control Protection Period (“CCPP")	1,000,000	4,060,000	30,789	13,758,394	3,987,631	—	9,850,707	—	32,687,521
Termination i) Without Cause, ii) for Good Reason, and iii) for RSUs only due to Death or by	1,000,000	4,060,000	30,789	26,084,001	2,839,795	—	11,865,850	—	45,880,434

the Company due to Disability, during a CCPP, but prior to a Change in Control									
Termination i) Without Cause, ii) for Good Reason, and iii) for RSUs only due to Death or by the Company due to Disability, upon or within 24 months following a Change in Control	1,000,000	4,060,000	30,789	27,516,577	2,839,795	1,497,765	11,865,850	—	48,810,776
Award is not continued, assumed or has no new rights substituted upon a Change in Control (no termination)	—	—	—	27,516,577	2,839,795	1,497,765	—	—	31,854,137
Termination for Cause or Without Good Reason	—	—	—	—	—	—	—	—	—
Death, or by the Company due to Disability, outside of CCPP	500,000	2,030,000	20,526	27,516,577	8,597,676	1,215,772	5,932,925	—	45,813,475

(1) The CEO Employment Agreement provides that Mr. McVey will receive continued payment of his base salary for 24 months following termination if (i) his employment is terminated outside of a Change in Control Protection Period (as defined below) for any reason other than his death, his voluntary resignation without Good Reason (including due to his providing a notice of non-extension of the term of the agreement at least 90 days prior to the end of the term (a “Non-Extension Notice”)), due to our providing a Non-Extension Notice, or by us as a result of his having a disability or for Cause (an “Enhanced Non-Change in Control Termination”), or (ii) he resigns for Good Reason or his employment is terminated for any reason other than his resignation without Good Reason (including due to his providing a Non-Extension Notice), or by us for Cause, in any case, within three months prior to a “change in control event” within the meaning of Section 409A of the Code, or within 18 months after a Change in Control as defined in the agreement (such period a “Change in Control Protection Period” or “CCPP” and any such termination a “Change in Control Termination”).

The CEO Employment Agreement provides that Mr. McVey will receive continued payment of his base salary for 12 months following termination if his employment is terminated outside of a Change in Control Protection Period due to his death, due to our providing a Non-Extension Notice, or by us as a result of his having a disability (a “Standard Non-Change in Control Termination”).

(2) The CEO Employment Agreement provides that Mr. McVey will receive an amount equal to two times his average annual cash bonus for the three years prior to termination (payable in 24 equal monthly installments) in the event of an Enhanced Non-Change in Control Termination or a Change in Control Termination.

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The CEO Employment Agreement provides that Mr. McVey will receive an amount equal to his average annual cash bonus for the three years prior to termination (payable in 12 equal monthly installments) in the event of a Standard Non-Change in Control Termination.

(3) The CEO Employment Agreement provides that we will pay the cost of continuation health coverage for up to 18 months (the maximum currently allowed under COBRA) following an Enhanced Non Change in Control Termination or a Change in Control Termination. and 12 months following a Standard Non-Change in Control Termination. In both cases, the payments may be made through COBRA.

(4) Pursuant to the Performance Share Agreements between us and Mr. McVey dated January 15, 2016 and 2017 and January 15, 2015:

- all unvested shares of restricted stock granted to Mr. McVey upon settlement of his performance shares (the “McVey Settlement Shares”) will fully vest upon his death or disability
- in the event of a termination of employment without Cause or for Good Reason, 50% of the unvested McVey Settlement Shares will fully vest; and
- in the event of a Change in Control within three months following Mr. McVey’s resignation for Good Reason, a termination without Cause within 24 months following a Change in Control, or if prior to a Change in Control it is determined that the McVey Settlement Shares will not be continued, assumed or have new rights substituted therefor in accordance with the applicable incentive plans, all unvested McVey Settlement Shares will fully.

(5) Pursuant to the CEO Annual Award between us and Mr. McVey dated January 15, 2018:

- in the event of termination of employment due to death or disability prior to the settlement dates (which occurred in the first fiscal quarter of 2018) (the “Settlement Dates”), under the CEO Annual Award, he would have been entitled to receive 50% of the shares of restricted stock that he would have received had he been employed on the Settlement Date, based on the actual achievement of the performance goal, which shares would have been fully vested on the Settlement; and
- the Compensation Committee has discretion to determine the treatment of the performance shares upon a Change in Control occurring prior to the Settlement Date based on the likely level of achievement of the performance goal on the Settlement Date. For the purposes of the table above, we have assumed that the Compensation Committee would have granted Mr. McVey the number of shares of restricted stock that would have become fully vested upon a Change in Control based on actual performance.

Pursuant to the Performance Share Agreement between us and Mr. McVey dated November 8, 2018:

- all unvested shares granted to Mr. McVey upon settlement of his performance shares will fully vest upon his death or disability if such event occurs within 12 months prior to achieving the target performance level;
- in the event of a termination of employment without Cause or for Good Reason other than during a Change in Control period, 50% of the unvested Settlement Shares will vest if such an event occurs within 12 months prior to achieving the target performance level; and
- in the event of a termination of employment without Cause or for Good Reason during a Change in Control period or if the shares are not continued, assumed or new rights are not given, all unvested Settlement Shares will fully vest except that on or before January 1, 2020, only 7,548 of the performance shares shall vest and the remainder are forfeited.

(6) If, prior to a Change in Control, the Compensation Committee determines that the restricted stock units granted to Mr. McVey under the Restricted Stock Unit Agreements between us and him dated January 15, 2016 and January 15, 2017 will not be continued, assumed or have new rights substituted therefore, all unvested restricted stock units will fully vest upon the Change in Control. If such awards do not vest upon a Change in Control, then in the event of a termination of employment without Cause upon or within 24 months of a Change in Control, 100% of the restricted stock units granted to Mr. McVey will vest. 50% of the unvested shares of restricted stock units will vest upon his death or disability.

(7) Pursuant to the Stock Option Agreements between us and Mr. McVey dated January 15, 2016, 2017 and 2018:

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in the event of termination of employment due to death or disability, 50% of the unvested portion of the option will become fully vested and exercisable;

- in the event of termination of employment other than voluntary termination or termination for cause, the unvested portions of the options will become fully vested and exercisable.

While there are accelerated vesting provisions associated with the CEO's November 8, 2018 Stock Option Retention Awards, no value was generated as of the measurement date.

(8) Mr. McVey's employment agreement provides that if any payments or benefits paid or provided to him would be subject to, or result in, the imposition of the excise tax imposed by Section 4999 of the Code, then the amount of such payments will be automatically reduced to one dollar less than the amount that subjects such payment to the excise tax, unless he would, on a net after-tax basis, receive less compensation than if the payment were not so reduced.

Payments and Benefits for Antonio L. DeLise, CFO

	Base Salary (1) ($)	Cash Bonus (2) ($)	Health Benefits (3) ($)	Restricted Stock Acceleration (4) ($)	Performance Share Acceleration (5)(6) ($)	Restricted Stock Unit Acceleration (7) ($)	Stock Option Acceleration (8) ($)	Payment Reduction ($)	Total ($)
Termination Without Cause	300,000	846,667	20,526	—	—	274,703	1,741,121	—	3,183,017
Termination Without Cause within 24 months following a Change in Control	300,000	846,667	20,526	119,179	1,677,379	899,124	1,894,753	—	5,757,627
Award is not continued, assumed or has no new rights substituted upon a Change in Control	—	—	—	119,179	1,677,379	899,124	1,894,753	—	4,590,435
Termination for Cause or Without Good Reason	—	—	—	—	—	—	—	—	—
Death/Disability	150,000	423,333	10,263	59,589	1,615,888	724,265	921,263	—	3,904,601

(1) In accordance with the Severance Plan and subject to his execution of a separation agreement and release, as a Participating Executive, Mr. DeLise is entitled to 52 weeks of continued base salary upon a termination of his employment without Cause and 26 weeks of continued base salary in the event of death or disability.

(2) In accordance with the Severance Plan and subject to his execution of a separation agreement and release, as a Participating Executive, Mr. DeLise is entitled to an amount equal to one times his average annual cash bonus for the three years prior to termination (payable as soon as practical) in the event of a termination of his employment Without Cause and 0.5 times his average annual cash bonus for the three years prior to termination in the event of death or disability.

(3) In accordance with the Severance Plan and subject to his execution of a separation agreement and release, as a Participating Executive, Mr. DeLise is entitled to 52 weeks of continued healthcare coverage upon a termination of his employment without Cause.

(4) Pursuant to the Performance Share Agreements between us and Mr. DeLise dated January 15, 2016 and January 15, 2017:

- 50% of the unvested shares of restricted stock granted to Mr. DeLise upon settlement of his performance shares (the "DeLise Settlement Shares") will fully vest upon his death or disability; and
- in the event of a termination without Cause within 24 months following a Change in Control, or if prior to a Change in Control it is determined that the DeLise Settlement Shares will not be continued, assumed or have new rights substituted therefor in accordance with the applicable incentive plans, all unvested DeLise Settlement Shares will fully vest. The table above assumes that the DeLise Settlement Shares would have become fully vested upon a Change in Control.

(5) Pursuant to the Performance Award Agreement between us and Mr. DeLise dated January 15, 2018, in the event of termination of employment due to death or disability prior to the settlement date (which occurred in the first fiscal quarter of 2019) (the "Settlement Date"), then, on the Settlement Date, he would have been entitled to receive 50% of the shares of restricted stock that he would have actually received had he been employed on the Settlement Date. In addition, in the event of a Change in Control occurring prior to the Settlement Date, the Compensation Committee had discretion to determine the treatment of the performance shares based on the likely level of achievement of the performance goal on the Settlement Date. For the purposes of the table above, we have assumed that the Compensation Committee would have granted Mr. DeLise the actual number of shares of restricted stock that would have become fully vested upon a Change in Control based on actual performance.

(6) If prior to a Change in Control, the Compensation Committee determines that the performance shares granted to Mr. DeLise under the Performance Award Agreement dated January 22, 2016 will not be continued, assumed or have new rights substituted therefore, all unvested shares will fully vest upon the Change in Control. If such awards do not vest upon a Change in Control, then in the event of a termination of employment without Cause upon or within 24 months of a Change in Control, all unvested shares will fully vest. In the event of a termination without cause, 35/36th of the award will vest. In the event of termination of employment due to death or disability, all unvested shares will vest. For purposes of the table above, we have assumed that the Compensation Committee granted Mr. DeLise the settled amount of shares of restricted stock.

(7) If prior to a Change in Control, the Compensation Committee determines that the restricted stock units granted to Mr. DeLise under the Restricted Stock Unit Agreements between us and him dated each of January 15, 2016, 2017, and 2018 will not be continued, assumed or have new rights substituted therefore or in the event of a termination of employment without Cause upon or within 24 months of a Change of Control, all unvested restricted stock units will fully vest upon the Change in Control as will 50% of his January 22, 2016 grant. Twenty-five percent of the unvested restricted stock units from the January 22, 2016 grant will vest in the event of a termination without cause. Fifty percent of the unvested shares of restricted stock units will vest upon his death or disability.

(8) All unvested stock options pursuant to the Stock Option Agreement between Mr. DeLise and us dated January 22, 2016 will vest in the event of a termination without Cause or if the shares will not be continued, assumed or have new rights substituted in the event of a Change in Control. Fifty percent of the unvested stock options will vest upon his death or disability as will 50% percent of the unvested stock options from his agreement dated January 15, 2017.

Payments and Benefits for Kevin McPherson, Sales

	Base Salary (1) ($)	Cash Bonus (2) ($)	Health Benefits (3) ($)	Restricted Stock Acceleration (4) ($)	Performance Share Acceleration (5)(6) ($)	Restricted Stock Unit Acceleration (7) ($)	Stock Option Acceleration (8) ($)	Payment Reduction ($)	Total ($)

Termination Without Cause	300,000	1,241,667	20,526	—	2,098,778	381,520	2,418,128	—	6,460,618
Termination Without Cause within 24 months following a Change in Control	300,000	1,241,667	20,526	44,832	2,285,318	1,086,556	2,418,128	—	7,397,026
Award is not continued, assumed or has no new rights substituted upon a Change in Control	—	—	—	44,832	2,285,318	1,086,556	2,418,128	—	5,834,833
Termination for Cause or Without Good Reason	—	—	—	—	—	—	—	—	—
Death/Disability	150,000	620,833	10,263	22,416	2,222,030	924,798	1,209,064	—	5,159,404

(1) In accordance with the Severance Plan and subject to his execution of a separation agreement and release, as a Participating Executive, Mr. McPherson is entitled to 52 weeks of continued base salary upon a termination of his employment without Cause and 26 weeks of continued base salary in the event of death or disability.

(2) In accordance with the Severance Plan and subject to his execution of a separation agreement and release, as a Participating Executive, Mr. McPherson is entitled to an amount equal to one times his average annual cash bonus for the three years prior to termination (payable as soon as practical) in the event of a termination of his employment without Cause and 0.5 times his average annual cash bonus for the three years prior to termination in the event of death or disability.

(3) In accordance with the Severance Plan and subject to his execution of a separation agreement and release, as a Participating Executive, Mr. McPherson is entitled to 52 weeks of continued healthcare coverage upon a termination of his employment without Cause.

(4) Pursuant to the Performance Share Agreement between us and Mr. McPherson dated January 15, 2017:

- 50% of the unvested shares of restricted stock granted to Mr. McPherson upon settlement of his performance shares (the "McPherson Settlement Shares") will fully vest upon his death or disability; and
- in the event of a termination without Cause within 24 months following a Change in Control, or if prior to a Change in Control it is determined that the McPherson Settlement Shares will not be continued, assumed or have new rights substituted therefor in accordance with the applicable incentive plans, all unvested McPherson Settlement Shares will fully vest. The table above assumes that the McPherson Settlement Shares would have become fully vested upon a Change in Control.

(5) Pursuant to the Performance Award Agreement between us and Mr. McPherson dated January 15, 2018, in the event of termination of employment due to death or disability prior to the settlement date (which occurred in the first fiscal quarter of 2019) (the "Settlement Date"), then, on the Settlement Date, he would have been entitled to receive 50% of the shares of restricted stock that he would have actually received had he been employed on the Settlement Date. In addition, in the event of a Change in Control occurring prior to the Settlement Date, the Compensation Committee had discretion to determine the treatment of the performance shares based on the likely level of achievement of the performance goal on the Settlement Date. For the purposes of the table above, we have assumed that the Compensation Committee would have granted Mr. McPherson the actual number of shares of restricted stock that would have become fully vested upon a Change in Control based on actual performance.

(6) If prior to a Change in Control, the Compensation Committee determines that the performance shares granted to Mr. McPherson under the Performance Award Agreement dated January 22, 2016 will not be continued, assumed or have new rights substituted therefore, all unvested shares will fully vest upon the Change in Control. If such awards do not vest upon a Change in Control, then in the event of a termination of employment without Cause upon or within 24 months of a Change in Control, all unvested shares will fully vest. In the event of a termination without cause, 35/36th of the award will vest. In the event of termination of employment due to death or disability, all unvested shares will vest. For purposes of the table above, we have assumed that the Compensation Committee granted Mr. McPherson the settled amount of shares of restricted stock.

(7) If prior to a Change in Control, the Compensation Committee determines that the restricted stock units granted to Mr. McPherson under the Restricted Stock Unit Agreements between us and him dated each of January 15 2017 and 2018 will not be continued, assumed or have new rights substituted therefore or in the event of a termination of employment without Cause upon or within 24 months of a Change of Control, all unvested restricted stock units will fully vest upon the Change in Control as will 50% of his January 22, 2016 grant. Twenty-five percent of the unvested restricted stock units from the January 22, 2016 grant will vest in the event of a termination without cause. Fifty percent of the unvested shares of restricted stock units will vest upon his death or disability.

(8) All unvested stock options pursuant to the Stock Option Agreement between Mr. McPherson and us dated January 22, 2016 will vest in the event of a termination without Cause or if the shares will not be continued, assumed or have new rights substituted in the event of a Change in Control. Fifty percent of the unvested stock options will vest upon his death or disability.

Payments to Christophe Roupie, EU/Asia	Base Salary (1) ($)	Performance Based Restricted Stock Acceleration (2) ($)	Restricted Stock (3) ($)	Total ($)
Involuntary Termination outside a CIC	24,231	—	—	24,231
Termination Without Cause within 24 months following a Change in Control	24,231	2,136,344	157,003	2,317,578
Award is not continued, assumed or has no new rights substituted upon a Change in Control	—	2,136,344	157,003	2,293,347
Termination for Cause or Without Good Reason	—	—	—	—
Death/Disability	—	1,068,172	78,502	1,146,674

(1) In accordance with the U.K. severance program and subject to his execution of a U.K. compromise agreement, Mr. Roupie is eligible for 2 weeks of base salary for each year of service, pro-rated for partial years of service, in the event of any termination without Cause.

(2) The Restricted Stock Award between us and Mr. Roupie dated April 1, 2017 is subject to performance adjustment. As such, in the event of termination of employment due to death or disability prior to the settlement of the award, he would have been entitled to receive 50% of the unvested target shares of restricted stock. In the event of a termination without Cause within 24 months following a Change in Control or if the award is not continued, assumed or given new rights upon a Change in Control, 100% of the unvested target shares would vest. Pursuant to the Performance Award Agreement between us and Mr. Roupie dated January 15, 2018, in the event of termination of employment due to death or disability prior to the settlement date (which occurred in the first fiscal quarter of 2019) (the “Settlement Date”), then, on the Settlement Date, he would have been entitled to receive 50% of the shares of restricted stock that he would have actually received had he been employed on the Settlement Date. In addition, in the event of a Change in Control occurring prior to the Settlement Date, the Compensation Committee

had discretion to determine the treatment of the performance shares based on the likely level of achievement of the performance goal on the Settlement Date. For the purposes of the table above, we have assumed that the Compensation Committee would have granted Mr. Roupie the actual number of shares of restricted stock that would have become fully vested upon a Change in Control based on actual performance.

(3) If on or prior to a Change in Control, the Compensation Committee determines that the restricted stock granted to Mr. Roupie under the Restricted Stock Agreement between us and him dated each of January 15, 2018 will not be continued, assumed or have new rights substituted therefore or in the event of a termination of employment without Cause upon a Change of Control, all unvested restricted stock will fully vest upon the Change in Control. Fifty percent of the unvested shares of restricted stock will vest upon his death or disability.

Payments and Benefits for Nicholas Themelis, CIO

	Base Salary (1) ($)	Cash Bonus (2) ($)	Health Benefits (3) ($)	Restricted Stock Acceleration (4) ($)	Performance Share Acceleration (5)(6) ($)	Restricted Stock Unit Acceleration (7) ($)	Stock Option Acceleration (8) ($)	Payment Reduction ($)	Total ($)
Termination Without Cause	300,000	1,333,333	20,526	—	2,518,698	457,803	2,901,689	—	7,532,049
Termination Without Cause within 24 months following a Change in Control	300,000	1,333,333	20,526	345,703	2,787,179	1,516,783	3,110,270	—	9,413,795
Award is not continued, assumed or has no new rights substituted upon a Change in Control	—	—	—	345,703	2,787,179	1,516,783	3,110,270	—	7,759,936
Termination for Cause or Without Good Reason	—	—	—	—	—	—	—	—	—
Death/Disability	150,000	666,667	10,263	172,852	2,688,920	1,216,195	1,519,682	—	6,424,577

(1) In accordance with the Severance Plan and subject to his execution of a separation agreement and release, as a Participating Executive, Mr. Themelis is entitled to 52 weeks of continued base salary upon a termination of his employment without Cause and 26 weeks of continued base salary in the event of death or disability.

(2) In accordance with the Severance Plan and subject to his execution of a separation agreement and release, as a Participating Executive, Mr. Themelis is entitled to an amount equal to one times his average annual cash bonus for the three years prior to termination (payable as soon as practical) in the event of a termination of his employment without Cause and 0.5 times his average annual cash bonus for the three years prior to termination in the event of death or disability.

(3) In accordance with the Severance Plan and subject to his execution of a separation agreement and release, as a Participating Executive, Mr. Themelis is entitled to 52 weeks of continued healthcare coverage upon a termination of his employment without Cause.

(4) Pursuant to the Performance Share Agreements between us and Mr. Themelis dated January 15, 2016 and January 15, 2017:

- 50% of the unvested shares of restricted stock granted to Mr. Themelis upon settlement of his performance shares (the "Themelis Settlement Shares") will fully vest upon his death or disability; and
- in the event of a termination without Cause within 24 months following a Change in Control, or if prior to a Change in Control it is determined that the Themelis Settlement Shares will not be continued, assumed or have new rights substituted therefor in accordance with the applicable incentive plans, all unvested Themelis Settlement Shares will fully vest. The table above assumes that the Themelis Settlement Shares would have become fully vested upon a Change in Control.

(5) Pursuant to the Performance Award Agreement between us and Mr. Themelis dated January 15, 2018, in the event of termination of employment due to death or disability prior to the settlement date (which occurred in the first fiscal quarter of 2019) (the "Settlement Date"), then, on the Settlement Date, he would have been entitled to receive 50% of the shares of restricted stock that he would have actually received had he been employed on the Settlement Date. In addition, in the event of a Change in Control occurring prior to the Settlement Date, the Compensation Committee had discretion to determine the treatment of the performance shares based on the likely level of achievement of the performance goal on the Settlement Date. For the purposes of the table above, we have assumed that the Compensation Committee would have granted Mr. Themelis the actual number of shares of restricted stock that would have become fully vested upon a Change in Control based on actual performance.

(6) If prior to a Change in Control, the Compensation Committee determines that the performance shares granted to Mr. Themelis under the Performance Award Agreement dated January 22, 2016 will not be continued, assumed or have new rights substituted therefore, all unvested shares will fully vest upon the Change in Control. If such awards do not vest upon a Change in Control, then in the event of a termination of employment without Cause upon or within 24 months of a Change in Control, all unvested shares will fully vest. In the event of a termination without cause, 35/36th of the award will vest. In the event of termination of employment due to death or disability, all unvested shares will vest. For purposes of the table above, we have assumed that the Compensation Committee granted Mr. Themelis the settled amount of shares of restricted stock.

(7) If prior to a Change in Control, the Compensation Committee determines that the restricted stock units granted to Mr. Themelis under the Restricted Stock Unit Agreements between us and him dated each of January 15, 2016, 2017, and 2018 will not be continued, assumed or have new rights substituted therefore or in the event of a termination of employment without Cause upon or within 24 months of a Change of Control, all unvested restricted stock units will fully vest upon the Change in Control as will 50% of his January 22, 2016 grant. Twenty-five percent of the unvested restricted stock units from the January 22, 2016 grant will vest in the event of a termination without cause. Fifty percent of the unvested shares of restricted stock units will vest upon his death or disability.

(8) All unvested stock options pursuant to the Stock Option Agreement between Mr. Themelis and us dated January 22, 2016 will vest in the event of a termination without Cause or if the shares will not be continued, assumed or have new rights substituted in the event of a Change in Control. Fifty percent of the unvested stock options will vest upon his death or disability as will 50% of the unvested stock options from his agreement dated January 15, 2017.

Compensation plans

For information with respect to the securities authorized for issuance under equity compensation plans, see Equity Compensation Plan Information in Item 12 of our Annual Report on Form 10-K for the year ended December 31, 2018, which has been delivered to you with this Proxy Statement.

Compensation Committee interlocks and insider participation

No member of our Board's Compensation Committee has served as one of our officers or employees at any time. None of our executive officers serves as a member of the compensation committee of any other company that has an executive officer serving as a member of our Board of Directors. None of our executive officers serves as a member of the board of directors of any other company that has an executive officer serving as a member of our Board's Compensation Committee.

CEO PAY RATIO

The Company's compensation and benefits philosophy and the overall structure of our compensation and benefits programs are broadly consistent across the global organization, notwithstanding regional nuances. Our goal is to ensure that the compensation and benefits program of each employee reflects his or her specific role, responsibilities and contributions and is competitive for the employee's location based on the market data provided by our compensation consultants.

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, our Company is required to calculate and disclose the total compensation paid to its median employee, as well as the ratio of the total compensation paid to such median employee as compared to the total compensation paid to the Company's CEO. The Company believes that the ratio of pay included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

Measurement Date

We identified the median employee using our employee population on October 1, 2018.

Consistently Applied Compensation Measure (CACM)

Under the relevant rules, we were required to identify our median employee by use of a consistently applied compensation measure (“CACM”). We chose a CACM that closely approximates the annual total direct compensation of our employees and corresponds to how we disclose our CEO’s compensation in the Summary Compensation Table (“Calculation”). In our Calculation, we included:

- Base salary, annualized for any partial year employees;
- Cash bonus paid in 2019 for 2018 results;
- Other payments including, but not limited to, severance payments, overtime and allowances;
- Value of equity awards granted in 2018, computed in accordance with FASB ASC Topic 718;
- Value of dividends and dividend equivalents accrued on unvested equity in 2018; and
- Company’s contribution to a pension or retirement plan, including, but not limited to, a 401(k) defined contribution plan in the U.S.

We did not perform adjustments to the compensation paid to part-time employees to calculate what they would have been paid on a full-time basis.

De Minimus Exception

We did not include employees from the following countries as they represented, in aggregate, less than 5% of our employee population:

- Brazil – 4 employees
- France – 1 employee
- Hong Kong – 5 employees
- Singapore – 7 employees
- The Netherlands – 1 employee

Methodology and Pay Ratio Outcome

Using the above CACM and excluding the employees in the countries referenced above, we identified the median employee. Our median employee compensation was $145,811 according to the Calculation. Based on the Calculation, the CEO’s compensation in 2018 was $16,625,183 and the median employee pay ratio was 114:1.

This pay ratio information is being provided solely for compliance purposes. Neither the Compensation Committee nor management of the Company used the pay ratio measure in making compensation decisions.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Review and approval of related party transactions

Our related parties include our directors, director nominees, executive officers, holders of more than five percent of the outstanding shares of our Common Stock and the foregoing persons' immediate family members. We review relationships and transactions in which the Company and our related parties are or will be participants to determine whether such related persons have a direct or indirect material interest. As required under SEC rules, transactions that are determined to be directly or indirectly material to a related party are disclosed in this Proxy Statement. In addition, the Audit Committee reviews and, if appropriate, approves any related party transaction that is required to be disclosed. Set forth below is information concerning transactions with our related parties that is required to be disclosed under SEC rules.

Transactions with our 5% Stockholders

Each of the 5% stockholders that are listed above under Security Ownership of Certain Beneficial Owners and Management or their affiliated entities is a party to a user agreement or dealer agreement that governs their access to, and activity on, our electronic trading platform. These agreements were each entered into in the normal course of business and provide for the fees and expenses to be paid by such entities for the use of the platform.

OTHER MATTERS

Section 16(a) beneficial ownership reporting compliance

The members of our Board of Directors, our executive officers and persons who hold more than 10% of our outstanding Common Stock are subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, which requires them to file reports with respect to their ownership of our Common Stock and their transactions in such Common Stock. Based solely upon a review of (i) the copies of Section 16(a) reports that MarketAxess has received from such persons for transactions in our Common Stock and their Common Stock holdings for the 2018 fiscal year and (ii) the written representations of such persons that all required annual Form 5 reports were filed by them for the fiscal year, the Company believes that all reporting requirements under Section 16(a) for such fiscal year were met in a timely manner by its directors, executive officers and beneficial owners of more than 10% of its Common Stock.

Other matters

As of the date of this Proxy Statement, the Company knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as such persons deem advisable. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy card.

Stockholder proposals for 2020 Annual Meeting

In order to be considered for inclusion in the Company's proxy statement and proxy card relating to the 2020 Annual Meeting of Stockholders, any proposal by a stockholder submitted pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, must be received by the Company at its principal executive offices in New York, New York, on or before December 26, 2019. In addition, under the Company's bylaws, any proposal for consideration at the

2020 Annual Meeting of Stockholders submitted by a stockholder other than pursuant to Rule 14a-8 will be considered timely if it is received by the Secretary of the Company at its principal executive offices between the close of business on November 26, 2019 and the close of business on December 26, 2019 and is otherwise in compliance with the requirements set forth in the Company's bylaws.

*** Exercise Your Right to Vote *** Important Notice Regarding

MARKETAXESS HOLDINGS INC. 55 HUDSON YARDS 15TH FLOOR NEW YORK, NY 10001 VOTE BY INTERNET -www.proxyvote.com Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction from. ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years. VOTE BY PHONE-1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge,51 Mercedes Way, Edgewood, NY 11717. TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: E74666-P16751 KEEP THIS PORTION FOR YOUR RECORDS THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED DETACH AND RETURN THIS PORTION ONLY MARKETAXESS HOLDINGS INC. The Board Of Directors recommends you vote FOR The following: 1.Election of Directors Nominees: For Against Abstain 1a. Richard M. McVey 1b. Nancy Altobello 1c. Steven L.Begleiter 1d. Stephen P. Casper 1e.Jane Chwick 1f. Christopher R. Concannon 1g. William F. Cruger 1h. Richard G. Ketchum 1i. Emily H. Portney 1j. John Steinhardt The Board Of Directors recommends you vote FOR Proposals 2 and 3 For Against Abstain 2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31,2019. 3. To approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed in the 2019 Proxy Statement. NOTE: UNLESS OTHERWISE SPECIFIED BY THE UNDERSIGNED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR LISTED ABOVE AND FOR PROPOSALS 2 AND 3, AND WILL BE VOTED BY THE PROXYHOLDERS AT THEIR DISCRETION AS TO ANY OTHER MATTERS PROPERLY TRANSACTED AT THE MEETING OR AT ANY POSTPONEMENT OR ADJOURNMENT THEREOF TO VOTE IN ACCORDANCE WITH THE BOARD OF DIRECTORS RECOMMENDATIONS, JUST SIGN BELOW- NO BOXES NEED BE CHECKED. Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer. Signature [PLEASE SIGN WITHIN BOX] DATE Signature (Joint Owners) Date

2019 ANNUAL MEETING OF STOCKHOLDERS OF MARKETAXESS HOLDINGS INC. June 5,2019 Please date, sign and mail Your proxy card in the envelope provided as soon as possible. Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: Combined Stockholder Letter, Proxy Statement and 10-k are available at www.proxyvote.com E74667-P16751 MARKETAXESS HOLDINGS INC. The Undersigned hereby appoints Richard M. McVey, Antonio L. DeLise and Scott Pintoff, jointly and severally, as proxies and attorneys of the undersigned, with full power of substitution and resubstitution, to vote all shares of stock which the undersigned is entitled to vote at the Annual Meeting of Stockholders of MarketAxess Holdings INC. to be held on Wednesday, June 5,2019, or at any postponement or adjournment thereof. You are encouraged to indicate your choices by marking the appropriate boxes, as specified on the reverse side, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations. Continued and to be signed on reverse side.