



Euroclear

ANNUAL REVIEW 2019

Business review

Euroclear Bank

Our ICSD, Euroclear Bank, delivered solid business growth in 2019 with positive operating metrics reflecting the attractiveness of our service offering and beneficial market conditions.

Netted transactions rose 8.8% year on year, resulting in an equivalent of €545 trillion being processed by our systems. The value of securities held by Euroclear Bank also increased strongly, up 10.2% to €14.8 trillion, roughly half of the entire amount of securities held for clients across the Euroclear group. The scalability of the Euroclear Bank platform was demonstrated by a significant proportion of this increase emanating from new issues being brought to market, spurred on by the low interest rate conditions during the second half of 2019.

The role of Euroclear Bank in providing safe and efficient post-trade services remains appreciated in Europe and beyond. We have now been granted our CSD license from our respective competent authorities, the first ICSD to reach this milestone. With it comes the hallmark of quality that such regulatory approval signifies, as well as market responsibility. Safety and robustness, alongside efficiency and access to liquidity, are the pre-eminent reasons why clients entrust their business with Euroclear Bank. We continue to invest in these aspects – and especially with regards to evolving cyber threats and regulatory compliance.

As outlined in the strategic review (pages 13 to 21), we continue to spend on strengthening and growing Euroclear Bank's network, as well as enhancing its customer proposition across a spectrum of asset classes serviced: equities, fixed income, mutual funds and the increasing market demand for ETFs. For example, with its simplified issuance structure, the international model is attractive to both ETF issuers and global investors. Meanwhile, Euroclear Bank's centralised fund processing services continue to attract asset managers and distributors alike, with good new business wins last year.

With Brexit, we have been working intensively with the authorities and financial market stakeholders in Ireland and we are pleased to be able to develop a solution for corporate debt and equities through Euroclear Bank, to complement the role we already play for Irish government debt.



Valérie Urbain Chief Executive Officer

Euroclear Bank	2019	Change from 2018
Turnover	€544.6 trillion	▲ 3.6%
Value of securities held ¹	€14.8 trillion	▲ 10.2%
Number of netted transactions	116 million	▲ 8.8%

¹ At December 2019

Furthermore, in November, we became the first ICSD in the industry to announce that we are exploring to connect to the T2S ecosystem. In providing access to both central and commercial bank money, Euroclear Bank would be the sole global post-trade provider to provide access to central bank money on top of its commercial bank money environment. This future development would support more harmonised European financial markets and foster international investment, in accordance with the ambitions of the Capital Market Union.

Being 'Euroclearable' is increasingly important for many international investors when assessing emerging market securities. Governments and central banks in emerging economies that wish to access international funding frequently recognise this and Euroclear assists them as they adopt international standards. Furthermore, securing such international investment allows these economies to bolster spending in the real economy (schools, healthcare, etc.).

Euroclear UK & Ireland



This year, Euroclear UK & Ireland continued its diligent focus on maintaining efficiencies around cost and operational performance.

Brexit is a major focus for Euroclear UK & Ireland and clients with the UK leaving the EU on January 31. We continue to work closely with authorities and market participants having regular and productive dialogue to help in ensuring a continuity of service and the orderly migration of Irish securities to Euroclear Bank.

2019 saw strong growth for our CREST Investment Fund Services, signing some top tier clients including, Legal & General Investment Management, First State Investments and Arbuthnot Latham & Co., Ltd. Clients are seeing the benefit of having clear visibility of their settlement obligations and managing cash flows accordingly.

We have seen continued momentum in our US dollar central bank money service, with some very large corporate actions being settled under the protection of central bank money finality, and we will seek further US dollar opportunities this year.

Market engagement will be sought to determine the appropriate evolution of our collateral services. We will also re-focus our attention on the communications strategy for the CREST service, seeking to leverage broader group synergies and local market development, for example the Bank of England's RTGS programme.

Finally, we also continue to progress on the approval of Euroclear UK & Ireland's CSDR licence.

Euroclear UK & Ireland	2019	Change from 2018
Turnover	€ 162.6 trillion	▲ 6.3%
Value of securities held ¹	€ 6.0 trillion	▲ 13.8%
Number of netted transactions	59.4 million	▼ 3.2%

¹ At December 2019

ESES CSDs – Euroclear Belgium, Euroclear France and Euroclear Nederland

The ESES CSDs together processed a total of 40 million netted transactions in 2019, which is equivalent to €117 trillion of settlement turnover. Equity market valuations strongly improved through 2019, resulting in the value of securities held on behalf of clients at year end rising to €8.6 trillion.

2019 marked ten years since ESES was created, bringing together the operations of the CSDs for Belgium, France and the Netherlands whilst retaining separate legal structures and regulatory oversight. It was fitting therefore to mark this milestone with the three CSDs gaining each of their licences under the CSDR from their respective country regulators. This made ESES amongst the first major CSDs in Europe to be recognised by the authorities as achieving compliance with CSDR's highly demanding standards.

With a connection via T2S, the ESES CSDs provide a gateway to investors to Eurozone securities. We have enhanced this 'investor CSD' offering through increased interoperability with Euroclear Bank over recent years. In so doing, we have been able to attract new international investors to join ESES Single CSD offer.

In addition, ESES provides a number of value-added services, including collateral management. Today, we have developed a local ecosystem, known as €GC+, in collaboration with the Banque de France and LCH, that connects with Euroclear's international Collateral Highway. Despite a challenging market context, €GC+ continues to develop in line with our plans, benefitting from further product enhancements and having attracted new, active participants to its ecosystem.

In our capacity of 'issuer CSD,' we have also focused on attracting new issuers to use our platforms. Our proven capability to manage complex issuances has brought new issuers, including from outside ESES' domestic markets. These include Spanish issuers in Euroclear France via Euronext's TechHub initiative as well as Icelandic and South-African issuers in Euroclear Nederland.

We remain committed to extending our offer to issuers across assets classes. For example, the SRD II directive gives Euroclear an opportunity to offer new levels of insight and transparency to issuers on their shareholder base, which can help promote better corporate governance and shareholder engagement.



Brigitte Daurelle Chief Executive Officer

Euroclear Belgium	2019	Change from 2018
Turnover	€0.8 trillion	▼ 18.7%
Value of securities held ¹	€0.2 trillion	▲ 23.7%
Number of netted transactions	2.6 million	▼ 2.5%
Euroclear France²		
Turnover	€110.5 trillion	▲ 21.0%
Value of securities held ¹	€7.3 trillion	▲ 11.6%
Number of netted transactions	30.2 million	▲ 4.9%
Euroclear Nederland		
Turnover	€5.6 trillion	▲ 5.3%
Value of securities held ¹	€1.1 trillion	▲ 14.2%
Number of netted transactions	6.9 million	▲ 4.0%

¹ At December 2019.

² The data for Euroclear France excludes 'pensions livrées' with Banque de France.

In collaboration with the industry, we are also investing in our funds and commercial paper offers, particularly in relation to making issuance processes faster and more efficient.

As part of the group's efforts to reshape the financial market ecosystem, we engage closely with a number of fintech partners in Europe. Most notably, our work with Liquidshare, the blockchain-based infrastructure for smaller European companies, has progressed to the advanced pilot stages with active users on the platform.

Euroclear Finland



Hanna Vainio Chief Executive Officer

Euroclear Finland	2019	Change from 2018
Turnover	€1.8 trillion	▲ 31.3%
Value of securities held ¹	€0.4 trillion	▲ 9.1%
Number of netted transactions	10.2 million	▲ 10.2%

¹ At December 2019

Euroclear Finland reported an increase of 10.2% in the number of netted transactions processed in 2019, which was equivalent to €1.8 trillion. Overall, the value of securities increased by 9.1% to €390 billion.

In 2019, we continued to deliver incremental improvement releases for our Infinity CSD system, which completes some 70 settlement cycles each day. As a result, the system uptime and the settlement efficiency, two key metrics for performance, are now at good levels.

The significance of high performance becomes particularly relevant for Central Counterparty (CCP) settlement, which also benefits from partial settlement that Euroclear Finland introduced in October.

Following extensive consultations with our clients as well as the Bank of Finland and the European Central Bank, the Finnish market announced in October that Euroclear Finland would join T2S in 2022. Joining T2S will complete Euroclear Finland's multi-year journey to implement Infinity, during which we have undertaken a comprehensive infrastructure renewal program to meet the requirements of the evolving European settlement landscape. Just like in the previous stages of the Infinity program, we are working together with clients to ensure a smooth transition to T2S for the whole market.

T2S is one key enabler for harmonised European securities settlement landscape. Another important cornerstone is EU's Central Securities Depository Regulation (CSDR), which establishes the regulatory framework and level-playing field for European CSDs. In August, Euroclear Finland received authorisation from the Finnish Ministry of Finance to operate under CSDR.

In the domestic market, we successfully completed the closure of the Customer Account Services with over 99% of the value of holdings successfully transferred to other account operators.

Euroclear Sweden

The introduction of mandatory clearing for small cap equities and the related netting had an inevitable impact on both the number of transactions and turnover value. This was balanced by a marked increase in the value of securities held, reflecting an overall positive equity market.

Like several of the group entities, a major milestone for Euroclear Sweden was receiving authorisation to act as a central securities depository from the Swedish Financial Supervisory Authority, under CSDR.

Furthermore, we have been preparing for the next aspects of the CSDR regulation, having successfully launched a substantial technology program - CSDR preventing settlement fails. The new services, launched through good collaboration with all Swedish market participants, will bring added value to our clients by providing tools for increased settlement efficiency.

Euroclear Sweden has expanded into Denmark for Exchange Traded Products. The ability to issue and pay in Danish krone is offered to clients issuing ETPs (such as warrants and standardised unit traded certificates) via Euroclear's service Plug & Clear. We now provide a service for issuance, settlement and payment of Exchange Traded Products (ETPs) in Danish krone, Euro and Swedish krona, all in central bank money. On the data front, we also embarked on the modernisation of our shareholder information service for issuer clients.



Michael Carty Chief Executive Officer

Euroclear Sweden	2019	Change from 2018
Turnover	€11.5 trillion	▼ 11.4%
Value of securities held ¹	€1.5 trillion	▲ 8.2%
Number of netted transactions	13.4 million	▼ 7.2%

¹ At December 2019



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IR4290- 2020