

## **FITCH RATES EUROCLEAR INVESTMENTS SA 'AA'/STABLE; SENIOR NOTES 'AA(EXP)'**

Fitch Ratings-London/Paris-17 November 2016: Fitch Ratings has assigned Euroclear Investment SA (EINV) Long-and Short-Term Issuer Default Ratings (IDRs) of 'AA' and 'F1+', respectively. The Outlook on the Long-Term IDR is Stable. The agency has also assigned EINV's proposed EUR600m senior unsecured notes an expected long-term rating of 'AA (EXP)'.

The final rating on the notes is contingent on the receipt of final documents conforming to information already received.

Luxembourg-based EINV is fully-owned by Euroclear plc (Eplc), the UK-incorporated and Switzerland-domiciled holding company of Euroclear, one of the largest settlement and post-trade processing companies globally. EINV is the 99.9% owner of Belgium-based Euroclear SA (ESA), which in turn owns Belgium-based Euroclear Bank SA (EB; rated 'AA+/'Stable/'aa+'), the group's international central securities depository (ICSD) as well as domestic central securities depositories (CSDs) in France, the UK, the Netherlands, Belgium, Sweden, Finland and Ireland. At end-2015, EB accounted for the bulk of Euroclear's revenue and credit exposure (73% of group revenue and 97% of group assets). EB's ratings remain unaffected by this rating action.

### **KEY RATING DRIVERS**

#### **IDRS AND SENIOR UNSECURED DEBT**

EINV's IDRs are notched down once from EB's IDRs, which we have used as anchor rating due to EB being by far Euroclear's largest operating entity.

The notching also reflects that EINV is not under the direct supervision of Euroclear's lead regulator, the National Bank of Belgium (NBB). NBB merely conducts "consolidated oversight" of EINV based on legal entity and consolidated group financials. In Fitch's view, this gives Euroclear's management somewhat more flexibility in EINV's capital and liquidity planning compared with the group's directly regulated entities (notably EB but also ESA).

We understand from management that the proceeds of the planned senior debt issue will be primarily used to enhance investment capacity at EINV and within the group. As a result, incremental common equity double leverage at EINV (97% at end-2015) should remain moderate and below Fitch's typical threshold of 120% for adding an additional notch for high double leverage.

Based on management's dividend upstream projections as well as the repayment profile of intragroup loans, both interest cover and principal repayment capacity at EINV (on a stand-alone basis) remain adequate during the 10 year tenor of the bond. This also supports limiting our notching to one notch.

The upcoming senior unsecured debt is rated in line with EINV's Long-Term IDR as they are plain vanilla direct, unsubordinated, unsecured and unconditional obligations of EINV and do not benefit from any binding guarantees by EB or any other operating entity.

### **RATING SENSITIVITIES**

#### **IDRS AND SENIOR UNSECURED DEBT**

Both the IDRs and the expected issue rating are primarily sensitive to a change in EB's IDRs. In addition, the ratings are sensitive to material changes in Euroclear's dividend upstream policies negatively affecting EINV's interest cover and repayment capacity during the tenor of the bond.

The tenor of intragroup loans - if any - exceeding the maturity of EINV's senior bond issue (reducing EINV's repayment capacity at maturity of the bond) or a down-streaming of proceeds in the form of common equity (increasing EINV's double leverage) would also be rating-negative.

Given EB's and EINV's high ratings, upside is limited. An equalisation of EB's and EINV's ratings is also unlikely given EINV's lightly-regulated status as intermediate holding company within Euroclear.

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Applicable Criteria  
Global Bank Rating Criteria (pub. 15 Jul 2016)  
<https://www.fitchratings.com/site/re/884135>

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