

Euroclear plc

Annual Report 2016



Post-trade made easy

Performing strongly across the group

Euroclear Bank

Euroclear Bank continued to perform resiliently in 2016, while fulfilling its role as an international financial market infrastructure that connects investors and issuers around the world.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Bank	2016	€451.7 trillion	€12.7 trillion	84.1 million
	Change from 2015	+2.1%	+2.5%	+1.0%

Euroclear Bank's resilient 2016 performance was despite an uncertain and evolving environment, driven by new regulations and the harmonisation of European financial markets, as well as a changing geopolitical landscape.

A primary focus in 2016 was our work to comply with provisions of CSDR. We have been working closely with clients and regulatory authorities to implement the necessary changes in order to meet the requirements of CSDR and to obtain our licenses.

With the T2S platform now a reality in Europe, we have worked closely alongside clients and migrating CSDs

to ensure a safe and stable transition to the platform. We continue to engage closely with our stakeholders on future T2S waves.

New global regulations for un-cleared, over-the-counter (OTC) derivatives began to come into force in 2016 with further steps expected in 2017. In September 2016, new derivatives collateral margin requirements were introduced. In addition to working closely with financial market participants to help them comply with the new rules, DTCC-Euroclear GlobalCollateral Ltd, our joint venture with the DTCC, provides an open industry infrastructure solution for clients as they manage their collateral

margin needs. This supplements the existing collateral management solutions that clients can access through the Collateral Highway.

Our international ETF structure gained further momentum, and by mid-2016, BlackRock had the largest ever corporate action in the ETF industry, finalising the transfer of its \$200 billion domestic ETF programme to the international structure.

We are continuously improving Euroclear Bank's service offering with innovative solutions. In December 2016, we began offering our clients use of Taskize as a new channel to connect with us for query resolution.

Euroclear UK & Ireland

Euroclear UK & Ireland celebrated a milestone in 2016, as the CREST system marked its twentieth anniversary of providing a strong, stable and efficient settlement service.

		Turnover	Value of securities held	Number of netted transactions
Euroclear UK & Ireland	2016	€122.8 trillion	€5.8 trillion	59.8 million
	Change from 2015	-13.8%	-5.2%	+8.3%

The data for Euroclear UK & Ireland excludes self-collateralised repos.

The CREST system once again demonstrated these qualities when, on 23 June 2016, the people of the United Kingdom voted to leave the European Union (commonly known as 'Brexit'). While the news resulted in significant volatility and further uncertainty in the financial markets, our settlement systems remained stable and reliable, as expected.

While the full implications of Brexit are not fully known, we are already working closely with the Irish financial market to deliver solutions that ensure continued support to that market's needs. We continue to monitor the evolving situation and will support Euroclear UK & Ireland clients throughout this period of uncertainty.

Although Brexit creates many uncertainties, UK authorities have confirmed that the incoming pan-European CSDR will still come into force. We are getting ready for implementation of the new regulation in the UK and Ireland, preparing for our filing and building market awareness of the new requirements where they affect clients.

We have also progressed a number of the group's strategic growth initiatives in 2016. In funds, we have established a new connection from our EMX system into FundsPlace to offer valuation and orders. Further development of this portal will, over time, provide a single, efficient access point for investors into fund assets.

In addition, as a number of ETF issuers have moved domestic ETFs towards the international issuance structure in Euroclear Bank, Euroclear UK & Ireland has worked to ensure a smooth transition.

During the course of 2016, the Governors of the US Federal Reserve confirmed that Euroclear UK & Ireland will be the first non-US entity to have direct access to the Federal Reserve Bank of New York's Net Settlement Service. This will enable us to provide clients with delivery-versus-payment settlement in three currencies.

ESES CSDs – Euroclear Belgium, Euroclear France and Euroclear Nederland

Euroclear Settlement of Euronext-zone Securities (ESES) comprises Euroclear France, Euroclear Belgium and Euroclear Nederland.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Belgium	2016	€1.0 trillion	€0.2 trillion	2.4 million
	Change from 2015	+2.0%	-12.8%	-3.6%
Euroclear France	2016	€62.9 trillion	€6.3 trillion	23.2 million
	Change from 2015	-6.7%	+3.4%	-3.3%
Euroclear Nederland	2016	€4.7 trillion	€1.0 trillion	5.9 million
	Change from 2015	-3.8%	+1.3%	-4.7%

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

The ESES CSDs' primary focus in 2016 was delivering a safe and stable migration to T2S. Wave 3 of the T2S platform for euro-denominated CSDs was successfully launched on 12 September, as our ESES CSDs successfully connected to the platform, alongside VP Lux and VP Securities.

T2S increases cross-border settlement efficiency in Europe and presents new opportunities for firms to access liquidity and finance their activity more effectively. Through their migration to the T2S platform, our ESES CSDs connected approximately 40% of the total outstanding in corporate bonds, equities and funds, and 30% of government bonds for securities that will be issued in T2S.

In the T2S environment, we will provide the same high level of asset servicing across asset classes, regardless of the service access option and the asset location. We will offer a range of harmonised services across all T2S securities, despite the continuing co-existence of varying market practices. Following completion of the migration, our ESES CSDs have outsourced matching and settlement services to T2S, but continue to directly offer all custody and other services to clients.

We have also been preparing the ESES CSDs for the evolving regulatory landscape by working to ensure compliance with the provisions of CSDR and preparing the filings to obtain their licenses.

At the same time, Euroclear France continued to develop its relationship with its local financial marketplace, in support of the Paris2020 initiative. Most notably, we made systems changes to support reforms in the negotiable debt securities market, the Eurozone's largest commercial paper market, now known as NeuCP.

Across ESES, we also continued to partner with Euronext, and have reinforced this through a series of initiatives that connect issuers and investors throughout the Euronext countries.

Euroclear Finland and Euroclear Sweden

Euroclear Finland and Euroclear Sweden continued to implement the group's strategy in the Nordic region.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Finland	2016	€0.6 trillion	€0.3 trillion	7.1 million
	Change from 2015	-1.8%	+9.9%	+4.1%
Euroclear Sweden	2016	€11.8 trillion	€1.4 trillion	13.3 million
	Change from 2015	+9.5%	+0.9%	+4.9%

Euroclear Finland has been migrating its entire securities processing infrastructure to a new IT system, known as Infinity, which is being deployed progressively.

Having launched phase 1 of the Infinity platform in 2015, we have been working with clients on the implementation schedules of its remaining releases and connection to T2S. We have collaborated with market participants on every stage of the delivery roadmap of this substantial project, including rigorous testing, in order to ensure the delivery of a safe and stable platform.

Concurrently, Euroclear Finland has been getting ready for the requirements of CSDR, further supporting European market harmonisation.

The group is also committed to upgrading Sweden's financial market infrastructure, while meeting its regulatory imperatives. In 2017, Euroclear Sweden will extend the functionality of its existing IT platform to meet the demands of CSDR, before continuing work on a new IT platform, known as EuroclearSafe.

Meanwhile, we continued to explore innovative solutions that support market needs across Finland and Sweden, such as the potential use for DLT as a registry for Housing Company Certificates in Finland.

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