



Euroclear plc

Annual Report 2017



Business review



Valérie Urbain
Chief Executive Officer

Euroclear Bank

Euroclear Bank performed strongly in 2017 as we achieved robust business results while making important progress in key initiatives. Through these steps, we are positioning Euroclear Bank to fulfil its role as a safe and efficient financial market infrastructure that connects investors and issuers around the world.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Bank	2017	€498.2 trillion	€12.8 trillion	95.4 million
	Change from 2016	+10.3%	+1.1%	+13.3%

Global markets were buoyant in 2017 and into early 2018. Strong volumes delivered a positive revenue performance in Euroclear Bank, with growth in both our core business and strategic growth initiatives.

Clients increasingly employ Euroclear Bank's collateral management solutions to reduce risk in the context of a more stringent regulatory environment. We continued to see growth in collateral outstanding (i.e. the amount of collateral allocated by the Euroclear system) across product lines, including in triparty repo and securities lending, while also onboarding those participants adopting the new regulatory regime relating to margin requirements for non-cleared derivatives during 2017.

Progress was made in engaging clients in our range of funds solutions, and we brought in a new pricing model to make our offer more attractive

in certain customer segments. Meanwhile, the international ETF structure continues to grow traction in the industry.

Eurobonds remains attractive to international issuers. Notably, Argentina returned to the market for a second time following a successful issuance in 2016, while Saudi Arabia also used Euroclear Bank as it launched its first ever issuance, totalling \$17.5 billion.

Asia is an exciting source of long-term growth in the global capital markets. We demonstrated our commitment to the region by establishing a branch structure in Tokyo, securing a more appropriate corporate structure to service the requirements of the Japanese financial market.

As outlined in the strategy section on pages 20–21, we are developing new links with a number of growth markets,

with Chile and Peru established in 2017. We have a strong pipeline of future opportunities as we bring 'Euroclearability' to growth economies and their domestic issuers, providing opportunities to the international investor community.

Ensuring we meet the requirements of CSDR has been a major focus for Euroclear Bank throughout 2017. We submitted the initial applications for authorisation under CSDR in line with the official timelines, and dialogue with our regulators to complete the authorisation process is ongoing.

Additionally, we increased interoperability between Euroclear Bank and the ESES CSDs to support the launch of the new Single CSD Access service, providing clients with a gateway to T2S via ESES.



John Trundle
Chief Executive Officer

Euroclear UK & Ireland

For Euroclear UK & Ireland, 2017 performance concentrated on two key themes. We took steps to ensure we can provide strong, stable and efficient post-trade services in the face of the potential implications of Brexit and to adhere to the requirements of CSDR. At the same time, we have continued to implement our strategic vision in these financial markets.

		Turnover	Value of securities held	Number of netted transactions
Euroclear UK & Ireland	2017	€135.4 trillion	€6.0 trillion	61.9 million
	Change from 2016	+10.3%	+2.8%	+3.4%

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

Like all of the group's CSDs, getting ready for CSDR has been a major focus for Euroclear UK & Ireland in 2017, and we applied for Euroclear UK & Ireland's authorisation under CSDR in line with the official timelines. Meanwhile, we have continued to implement the necessary changes to systems and processes to comply with the new regulatory frameworks.

One important change that forms part of the shift to CSDR has been the more formal role played by the User Committees, the client-led bodies that have replaced the Market Advisory Committees. We remain committed to consulting with clients as we work together on a range of initiatives that meet their evolving needs in the UK and Ireland.

Since the vote held in 2016 by the UK to leave the European Union (EU), we have completed a thorough analysis to understand the potential impacts and risks to the Euroclear UK & Ireland business, including in the event that the UK leaves the EU without an agreement in place (a so-called 'Hard Brexit').

As outlined in our prior year report, we have been identifying a solution to ensure we can continue to support clients in Ireland post-Brexit. Having worked closely with the relevant authorities, we have identified a sustainable, long-term solution which is to establish a new CSD, subject to regulatory approval, based in Dublin. The new CSD will continue to use the CREST settlement system.

Regarding the implementation of our strategy, we developed Euroclear UK & Ireland's new client offering to provide direct access to central bank money from the Federal Reserve Bank of New York's Net Settlement Service. Having now launched the necessary software, we are currently awaiting regulatory approvals and anticipate going live with the service in 2018.

We also saw an increasing level of adoption by clients of the Euroclear UK & Ireland's funds service, following changes to our pricing structures. This service combines the strengths of our EMX and CREST systems to provide funds order routing and settlement.



Brigitte Daurelle
Chief Executive Officer
Euroclear ESES CSDs

ESES CSDs – Euroclear Belgium, Euroclear France and Euroclear Nederland

The ESES CSDs performed well in 2017 as we progressed a number of strategic initiatives, including the ongoing implementation of CSDR, following our migration to T2S delivered in 2016.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Belgium	2017	€0.9 trillion	€0.2 trillion	2.5 million
	Change from 2016	-1.8%	+1.1%	+5.1%
Euroclear France	2017	€78.4 trillion	€6.7 trillion	26.9 million
	Change from 2016	+24.6%	+6.6%	+16.0%
Euroclear Nederland	2017	€5.1 trillion	€1.1 trillion	6.3 million
	Change from 2016	+8.1%	+6.1%	+5.2%

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

Having migrated to T2S, our ESES CSDs connect approximately 40% of the total outstanding in corporate bonds, equities and funds, and 30% of government bonds issued on the platform. Since then, we have engaged with clients, other CSDs and the ECB to support subsequent migration waves, which in 2017 included Germany and Spain.

By increasing cross-border settlement efficiency in Europe, T2S presents new opportunities for firms to access liquidity and finance their activity more effectively. One of our new solutions is to provide Single CSD Access to T2S via ESES that allows clients to benefit from value-add services, like tax and asset servicing. We successfully launched piloted the service at the end of 2017, with further developments planned in 2018.

We have been preparing the ESES CSDs for the evolving regulatory landscape and working towards compliance with CSDR, submitting the three entities' initial filings to obtain their licenses in line with the official timelines. We are well progressed in completing the authorisation process, while implementing programmes to meet compliance with the provisions of the regulation.

In our role as financial market infrastructure, we continue to support industry efforts to strengthen local capital market communities and develop the international competitiveness of Amsterdam, Brussels and Paris for the post-Brexit environment.

For example, Euroclear led an initiative to enhance distribution of French mutual fund assets, establishing a pan-industry working group to develop

plans to increase Paris' competitiveness in this area. We are also investigating how we might support ambitions to develop Paris as a global centre for green finance. Additionally, Paris is increasingly considered as a centre of excellence in the collateral management industry. We are working closely with local players as we seek to broaden access to the Euroclear Collateral Highway.

As a shareholder in LiquidShare, Euroclear is working with seven financial institutions in France and the Netherlands to explore how distributed ledger technology might be applied to the European SME post-trade sector. 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.

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



Hanna Vainio
Chief Executive Officer

Euroclear Finland

The 2017 agenda for Euroclear Finland was dominated by the migration of its entire securities processing infrastructure to a new IT system, known as Infinity, as well as the implementation of its CSDR programme.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Finland	2017	€0.6 trillion	€0.4 trillion	7.6 million
	Change from 2016	+9.0%	+7.2%	+7.0%

The 2017 agenda for Euroclear Finland was dominated by the migration of its entire securities processing infrastructure to a new IT system, known as Infinity, as well as the implementation of its CSDR programme.

Infinity is a sizeable undertaking and the work to prepare for phase 2 in early 2018 will position Euroclear Finland as one of the first European CSDs to provide corporate action services that are consistent with European ISO standards.

We have been working closely with clients on the delivery of the Infinity roadmap, with a relatively smooth period of market testing of the new platform ahead of the next deployment.

We thank clients for their ongoing collaboration on this programme and in our preparations for the future connection of Infinity to T2S. In addition to submitting Euroclear Finland's initial application for CSDR, we have been working to embed CSDR by strengthening our teams, including local management, in a new organisational structure.

Meanwhile, we continued to explore innovative solutions such as the potential services related to digitalisation of Housing Company Certificates in Finland and non-listed companies shareholder ledgers and ways to extend our data driven services.



Michael Carty
Chief Executive Officer

Euroclear Sweden

Euroclear Sweden has submitted its filings for authorisation under the new Central Securities Depositories Regulation (CSDR) to the Swedish Financial Supervisory Authority on schedule. We continue to successfully develop CSDR requirements in the VPC system.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Sweden	2017	€14.2 trillion	€1.4 trillion	14.3 million
	Change from 2016	+21.0%	+4.5%	+7.9%

Euroclear Sweden has submitted its filings for authorisation under the new CSDR to the Swedish Financial Supervisory Authority on schedule. We continue to successfully develop CSDR requirements in the VPC system.

2017 has been a transformative year for Euroclear Sweden with the local organisation and management team strengthened as we embed CSDR in the organisation. In a more regulated financial environment impacting all players in the market, we have engaged with our clients to develop a revised business strategy.

Our funds offering continues to experience strong growth and we expanded the funds services offered whilst also growing geographically. The marketing activities focused on attracting new funds clients and we will continue the exciting journey to digitalize the Swedish fund market.

The number of new issuers reached record highs and we see an increasing number of foreign issuers come to Sweden attracted by market liquidity and a stable environment. We have also communicated planned multi-currency support in the VPC system for Exchange Traded Products.

Furthermore we have implemented ISO standards in the area of funds and corporate actions. Our VPC system registered 100% availability in 2017.

Euroclear Sweden has showed robust performance which derives from continuous strong revenue levels, both in Settlement and Issuer services as well as in Safekeeping. The running costs are now stable, however, the cost levels were brought up mainly due to project costs for CSDR requirements.



[euroclear.com](https://www.euroclear.com)

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