

Euroclear Investments Debt Ratings Affirmed On Potential Domiciliation In Belgium And Updated Documentation

February 24, 2022

- Belgium-based financial market infrastructure group Euroclear approved late 2021 the principle of a possible re-domiciliation of its financial holding company Euroclear Investments to Belgium from Luxembourg.
- Euroclear Investments has announced today its intention to modify the terms and conditions (T&Cs) of three instruments, and notably to insert a section explicitly mentioning bail-in power; the company will solicit the consent of the bondholders regarding the proposed T&Cs.
- We don't expect such a re-domiciliation, or the modifications to the T&Cs, would alter Euroclear's regulatory perimeter and oversight, or the group's resolution perimeter.
- Therefore, we affirmed our ratings on the three notes, as well as on a €350 million subordinated instrument due 2051, the T&Cs of which already mentioned bail-in power.
- We are also confirming the intermediate equity content we previously assigned to Euroclear Investments' subordinated instruments.
- The announcements do not affect our issuer credit ratings on Euroclear Investments S.A. and Euroclear Bank S.A./N.V. since we foresee no impact on the company's financial metrics.

PARIS (S&P Global Ratings) Feb. 24, 2022--S&P Global Ratings today affirmed its 'AA-' long-term issue credit rating on Euroclear Investments S.A.'s senior unsecured notes and its 'A' rating on the subordinated hybrid debt.

These notes are:

- €600 million senior unsecured notes due 2026,
- €300 million senior unsecured notes due 2030,
- €400 million subordinated notes due 2048, and
- €350 million subordinated notes due 2051.

We note that the changes to the notes' T&Cs include:

- Transfer of the notes, irrespective of whether the re-domiciliation occurs, into the securities settlement system operated by the National Bank of Belgium (NBB-SSS) as central securities depository,

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Euroclear Investments Debt Ratings Affirmed On Potential Domiciliation In Belgium And Updated Documentation

- Inclusion of a bail-in contractual recognition clause, and
- Acknowledgement that the resolution conditions currently subject to Luxembourg law would be subject to Belgium law, if Euroclear Investments were to change its domicile to Belgium.

The proposed updates to the T&Cs do not alter our view of the senior unsecured and hybrid notes. We understand that, as the notes are governed by English law, the inclusion of bail-in recognition following any material changes to the notes' T&Cs post Brexit is required by Article 55 of the Bank Recovery and Resolution Directive (BRRD). However, we understand that the notes were already subject to bail-in power, despite the fact that this was not mentioned in the existing documentation.

We don't expect that a re-domiciliation of Euroclear Investments to Belgium would alter the group's resolution perimeter, which we understand would still exclude Euroclear Investments.

Furthermore, we understand that the proposed changes would not modify the regulatory perimeter and oversight of the group. Supporting this, the proposed changes to the T&Cs of Euroclear Investments' subordinated notes maturing in 2048 do not introduce any capital tiering, or any statutory capital contingent loss-absorption clause, at the initiative of the banking supervisor.

These factors support the 'A' rating on the subordinated notes. The two-notch differential with our 'AA-' long-term issuer credit rating on Euroclear Investments continues to reflect the deduction of:

- One notch for subordination since our long-term issuer rating on Euroclear Investments is investment grade; and
- One notch to reflect the issuer's ability to defer interest at his discretion.

The updates to the T&Cs of the 2048 hybrid notes do not change our view of these notes' intermediate equity content and we will continue to factor this equity content into our calculations of leverage and cash flow metrics until the first call date, which is in 2028 (as the notes' residual maturity will then fall below our criteria threshold). This is in line with our approach to the 2051 hybrid notes (see "Euroclear Investments S.A.'s Proposed Hybrid Issue Rated 'A'," published June 7, 2021, on RatingsDirect)

Since today's announcements do not affect the group's financial metrics, our issuer credit ratings on Euroclear Investments and Euroclear Bank are not affected.

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July

Euroclear Investments Debt Ratings Affirmed On Potential Domiciliation In Belgium And Updated Documentation

20, 2017

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Global FMI Sector Outlook 2022 Says Growth Initiatives Will Be Key To Increasing Earnings, Jan. 13, 2022
- Euroclear Investments S.A.'s Proposed Hybrid Issue Rated 'A', June 7, 2021
- Euroclear Group Ratings Affirmed On MFEX Acquisition; Outlook Stable, April 1, 2021

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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