



# Beyond the PAN-EUROPEAN Network

Euroclear is changing its market structure and operational processes to better service the European region, expanding its footprint and capabilities on a regional scale.

Images courtesy of Euroclear

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**A**s the financial regulatory environment in Europe becomes increasingly dynamic, Belgium-based securities organisation Euroclear is seizing the opportunity to further develop its business relationships within Europe and beyond.

CEO of Euroclear Belgium, Euroclear France, and Euroclear Nederland, Valérie Urbain, looks at the changes that her organisation and the wider European industry is undergoing, noting the importance of adapting to the shifting market conditions.

**The CEO Magazine: Having been with the company for more than 20 years, how have you seen Euroclear grow and develop as an organisation?**

**Valérie:** Over the past 20 years, the Euroclear group has expanded from being an ICSD [international central securities depository]—Euroclear Bank—into a broader market infrastructure incorporating the CSDs [central securities

depositories] in France, Belgium, the Netherlands, Finland, Sweden, Ireland, and the UK. We were already an international organisation but these additions to the group helped us become a lot more conscious of our role as a true market infrastructure. We need to be relevant for all sorts of stakeholders, be they clients, other market infrastructures, or market authorities like the regulators and central banks.

We are a market infrastructure whose purpose is to provide the best possible service to our clients. In the past we used our longer term vision of the evolutions that we wanted to deliver for the market as a guide for developing products and services, but as the capital markets have evolved, in particular with the crisis of 2008, we came to realise that our role as a market infrastructure is to deliver not necessarily what we think is good, but more what the clients need.

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was initially very Europe-centric, but as our business has expanded we have adopted the same approach towards non-European markets as well. A good example is the Asian markets, where we have worked with our clients to map out what the market needs and then agreed on how best to respond to those needs.

**Can you give our readers an overview of your ESES platform and how it's making the Belgian, French, and Dutch markets more uniform?**

The ESES [Euroclear Settlement of Euronext-zone Securities] platform dates back to 2009 and it has been an excellent catalyst in bringing together the three markets of Belgium, France, and the Netherlands and encouraging the harmonisation of the market practices for settlement and asset servicing. Harmonisation is extremely important because it allows market participants to mutualise the costs while reducing the level of risk associated with these three markets. I believe it was the creation of the ESES >



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platform that paved the way for fruitful dialogue with the industry practitioners of these three countries.

It has not always been easy to achieve our goal of harmonising the market practice for any given process, but I think we have managed to do so. The result is a service offering that effectively creates a single virtual market that operates across the three ESES markets at a lower cost than before. The ESES platform allows market participants to easily do business with their counterparts irrespective of whether they are based in France, the Netherlands, or Belgium. What we have seen developing is a kind of borderless market that offers increased flexibility and ease of access.

**What are the key principles that drive Euroclear?**

The five key values that we want to instil in everyday life in Euroclear are amalgamated in the term

‘REACH’. The first of these values is respect. This means that we all need to respect the differences within the company. There are 89 different nationalities within the Euroclear group, so it’s important to respect one another and understand that these differences add value to the organisation as a whole. There is also the respect towards our partners, with whom we work on a daily basis, the market authorities, and our clients. Then we have efficiency, although I often use the word relevant. We need to make sure we remain relevant to the market and provide efficient solutions.

We also believe in the concept of being accountable. I think that it is extremely important that we accept responsibility for whatever we do and that we are accountable for the products and solutions we deliver, the quality of our service, and ensuring that at all times we comply with the applicable rules and regulations. Client focus is the next important

value because as a group that provides services to financial institutions across the globe we need to ensure that we meet our clients’ needs at all times. The last key value is helpful. By making the extra effort to be helpful in our day-to-day jobs we build solid and long-lasting relationships both internally and externally.

**What can you tell our readers about TARGET2-Securities and Euroclear’s involvement with it?**

TARGET2-Securities [T2S] is a very interesting initiative put forward by the ECB [European Central Bank], which is designed to create a single settlement platform for all the CSDs that operate within the Eurozone. Once the ECB’s pan-European settlement platform goes live, all participating CSDs will outsource their core settlement activity to T2S. If you wanted to make this more tangible, you could say that Euroclear did something similar, on a smaller scale, in 2009 with the

creation of the ESES platform covering Belgium, France, and the Netherlands. The ECB is now trying to replicate the creation of a single settlement platform, but on a much larger scale across the 23 Euro-denominated markets.

The intended benefits of the TARGET2-Securities are very much focused on lowering the cost of cross-border settlement. The ECB wants to ensure that a counterparty in France can easily transact with a counterparty in Lithuania, for example, and at a very low cost, like a domestic transaction. If one looks at the three largest regional financial centres, that is, the United States, Asia, and Europe, one can see that Europe is the most fragmented and expensive of the three. In order to boost European competitiveness in relation to the US and Asia, the ECB would like T2S to deliver a pan-European settlement platform that reduces fragmentation and transactions costs.

With the advent of T2S and the plethora of new European regulations, we are having to review our service offering as one of our core activities, settlement, will effectively be outsourced to T2S. We see TARGET2-Securities as a tremendous business opportunity that will allow us to move from being the CSD of choice for the three ESES markets to being the preferred partner for financial institutions active in any of the 23 T2S markets. So we are gearing up in anticipation of the new landscape and further developing our asset servicing, which will allow us to move further along the value chain for clients wanting to access any of the 23 T2S markets.

**How does Euroclear collaborate internally and externally to offer better service to its clients?**

Internally, Euroclear collaboration focuses on creating synergies within the group. For example, the collateral management platform of Euroclear Bank has a 20-year track record of success. So, we decided to implement the platform within

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the ESES CSDs. The idea is not to try to reinvent the wheel but rather to broaden the service offering of all the Euroclear entities by looking for synergies and expertise elsewhere within the group. On external collaboration, Euronext is a very good example whereby, with the ESES settlement platform, we have managed to mirror the single order book that exists at trading level. Another essential partner is LCH Clearnet, which acts as a central clearing counterparty, assuming the risks between the institutions that are trading on the Euronext exchange.

Another example of external collaboration can be seen in our everyday activity with the central banks in the ESES markets. As settlement in ESES occurs primarily in central bank money, this effectively means that we need to be working closely with the Belgian, Dutch, and French central banks. We need to respect all their constraints while delivering a service in the way that they require it. This means day-to-day collaboration between operation teams and management to ensure all the processes flow as smoothly as possible.

**What does the future hold for your organisation?**

There are a lot of business opportunities coming our way with the need to focus on being relevant to the market. On the one hand, we do see T2S as a way to expand further on a pan-European

level, but if you look at our most recent announcements, you will see that on the other hand we have started to engage in partnerships outside of Europe. We have signed a groundbreaking agreement with the DTCC [Depository Trust & Clearing Corporation] in relation to collateral management to help link the two sides of the Atlantic in an efficient and cost-effective way. We are also continuing to broaden the scope and reach of our services by setting up new links with markets like Russia and Panama. We are also looking at how we can help develop the growing offshore RMB [renminbi] issuance. We are working together with these markets and offering our expertise and experience to help them internationalise their financial markets and reach out to foreign investors by removing legal and fiscal barriers to entry.

So yes, we do see a future with plenty of business opportunities, but also one where there will be a continued focus on being relevant to the market, building solutions on the basis of an open architecture, thereby allowing unrestricted access to all and being market-led.

We have a unique shareholder structure as we are owned by our largest clients. We do our utmost to nurture and value this relationship with our shareholders as it ensures we remain as close as possible to the market and allows us to focus our efforts on addressing the needs of the market as a whole. •

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