Registered Company Number: 9237676

DTCC-Euroclear Global Collateral Ltd

Directors' Report and Financial Statements for the year ended 31 December 2019

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STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2019.

Principal activities and future developments

DTCC Global Holdings BV (DTCC) and Euroclear SA/NV (Euroclear) ('the parent companies') created a joint venture on 26 September 2014 focusing on collateral processing. The Company, DTCC-Euroclear Global Collateral Ltd, is incorporated in the United Kingdom with a registered office at Watling House, 33 Cannon Street, London EC4M 5SB.

The Company provides open industry infrastructure solutions for clients as they manage their collateral and margin needs, including a Margin Transit Utility (MTU) providing straight-through processing for the settlement of margin obligations, and a Collateral Management Utility (CMU) providing highly automated collateral management services. The MTU and CMU services have been well received in the financial industry, as the market is in need of collateral management solutions that streamline and automate processes while enabling firms to meet emerging regulations.

As the business and regulatory environments continue to evolve, the Company and its shareholders have assessed the most efficient way to deliver the highest-quality services to support clients. They jointly decided to restructure the Company and signed a dissolution agreement on 10 January 2020, effective on 10 March 2020. Following the restructuring, DTCC will integrate the MTU services into its Institutional Trade Processing (ITP) business to leverage internal synergies and provide more holistic support for firms. The Company will continue to offer the CMU services and to outsource the operational delivery of these services to Euroclear. The Company will be fully owned by Euroclear and will be renamed Euroclear Global Collateral Ltd.

DTCC and Euroclear maintain a strong working relationship and share common goals to support market efficiency as Financial Market Infrastructures (FMIs). The firms will continue to collaborate closely to support the MTU and CMU services and help meet the industry's needs to manage collateral movements across borders. The Company, DTCC and Euroclear are carefully managing the restructuring process to ensure the transition is seamless and that there is no impact to clients.

Principal risks and uncertainties facing the Company

The Company's main exposures are strategic and business risks, given the Company restructuring and that the Company has not yet generated any significant revenue.

There is a high level of uncertainty regarding DEGCL's future financial performance, given no track record exists with regards to predictability of earnings.

DTCC-Euroclear Global Collateral Ltd has so far had limited exposure to operational risk (the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events) but this risk has increased in 2019 as clients on-boarded. The operational delivery of services is outsourced to DTCC and Euroclear. Effective monitoring, appropriate reporting and comprehensive processes have been put in place to ensure continuous availability of business critical services. Both DTCC and Euroclear are highly regulated FMIs. After the restructuring, the operational delivery of the CMU services will continue to be outsourced to Euroclear.

Key performance indicators

In 2019, the Company did not generate any business revenue (2018: nil). In this context, the Company focused on managing costs whilst continuing to acquire new customers.

Financial performance

The Company's loss after tax was $5,035,396 (2018: $16,155,371). The loss was significantly reduced in 2019 compared to 2018 because of the recognition of consortium relief for the accounting years ended 31 December 2017 and 31 December 2018 for $6,457,345. Consortium relief is the surrender of tax losses made by the Company to UK subsidiaries of the consortium members DTCC and Euroclear, in proportion to the consortium member's interest in the Company.

The Company's loss before tax is $11,492,741 (2018: $16,155,371) thanks to limited spending in most areas.

The year-end financial position of the Company showed net assets of $13,760,525 (2018: $18,795,921).

Section 172 statement

The directors have had regard to the matters set out in section 172(1) a) to f) when performing their duty under section 172, and in particular:

The Board's approach

The Board gives focus to 2 key stakeholder groups, and their interests:

a) the market place, including customers and suppliers:

The provision of high-quality services to customers remains intrinsic to the Company's strategy and the Company ran a number of use case focussed multi-lateral working groups with target clients as well as numerous bilateral engagements to understand client needs, validate service offerings and define value-added service enhancements.

The Company has 2 major suppliers, DTCC and Euroclear and monitors them in line with agreed Service Level Agreements on a continued basis. Going forward, Euroclear will remain the major supplier. The Euroclear group has published in 2019 its Supplier Code of Conduct on its website, which outlines the behaviours expected from its suppliers.

b) regulators:

The Company has continued its regulatory engagement throughout the course of 2019. The two key elements of the engagement have been, firstly, proactive communication on strategic and corporate developments, and secondly, providing consistent reporting on operational performance and business development matters.

Maintaining our license to operate

The Board, together with the shareholders Euroclear and DTCC, place strong emphasis on risk management and regulatory compliance. Effective risk identification, management and appropriate reporting are at the centre of its approach. The shareholders being FMIs and the Company place high importance on the integrity, confidentiality and availability of services. This is monitored closely and reported and reviewed at the Board at the minimum on a quarterly basis. The Company has implemented a compliance monitoring programme to meet its reporting obligations to the Financial Conduct Authority (FCA) which allows the Board to demonstrate oversight of compliance matters including Conflicts of Interest, Anti-Money Laundering/Counter Terrorist Financing, Market Abuse, and Bribery.

All management and staff supporting the Company follow a series of training sessions on topics such as bribery, fraud and anti-money laundering. Moreover, the Euroclear group employs a 'Speak Up' policy to enable staff to raise concerns over any potentially unethical behaviour.

Key decisions made in the year

In 2019, the Board together with the shareholders jointly decided to restructure the Company and signed a dissolution agreement on 10 January 2020, effective on 10 March 2020. This decision supports our value creation strategy to deliver high quality collateral management services and straight-through processing for the settlement of margin obligations, in the most efficient way. The Board also ensured that the Company, DTCC and Euroclear are carefully managing the restructuring process to ensure the transition is seamless and that there is no impact to clients.

Approved by the Board,

Christopher Childs
Chairman of the Board
6 March 2020

Olivier Grimonpont
Chief Executive Officer
6 March 2020

DIRECTORS' REPORT

The directors present the report and the audited financial statements of DTCC-Euroclear Global Collateral Ltd for the year ended 31 December 2019.

The future developments of the Company are presented in the Strategic Report.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Michael Shipton, Director	Appointed 26 September 2014
Joseph Van de Velde, Director	Appointed 26 September 2014
Pierre Yves Goemans, Director	Appointed 27 October 2015
Mark Jennis, Chairman	Appointed 26 September 2014, resigned 18 June 2018
Peter Axilrod, Director	Appointed 26 September 2014, resigned 11 July 2018
James Hollands, Director	Appointed 17 January 2017
Olivier Grimonpont, Chief Executive Officer	Appointed 14 February 2018
Murray Pozmanter, Director	Appointed 6 February 2018
Christopher Childs, Chairman	Appointed 2 July 2018
Susan Tysk Cosgrove, Director	Appointed 1 August 2018

Karl Spielmann was the Company Secretary throughout the year.

Insurance of directors

The Company maintains insurance for directors in respect of their duties as directors of DTCC-Euroclear Global Collateral Ltd.

Employees

The Company continued to have no employees in the year.

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that DTCC-Euroclear Global Collateral Ltd has adequate resources to continue to operate for the foreseeable future after considering the following factors:

- There is a high level of judgement regarding the Company's future financial performance, especially around the revenue forecast as no track record exists with regards to predictability of earnings. Management and the Board pay significant attention to client on-boarding and have defined milestones based on which the company's situation is closely monitored.
- The two shareholders DTCC and Euroclear have demonstrated support in the past years by injecting a total of $107,000,002 in the Company.
- Going forward after the restructuring, Euroclear as the sole shareholder continues to support the Company. The Company has sufficient financial resources to cover its expenses during the next 12 months, even in the worst case scenario of not generating any revenue during this period.

For this reason, the directors continue to adopt the 'going concern' basis in preparing the financial statements.

Financial risks management

The exposure of the Company to credit risk, liquidity risk and foreign exchange risk are discussed in note II of the financial statements.

Political donations

The Company made no political donations during the year (2018: $nil).

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of disclosure of information to auditors

In accordance with the provisions of Section 418 of the Companies Act 2006, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) He/she has taken all the steps that he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor

Deloitte LLP was appointed as the Company's auditor on 30 October 2018.

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the next Board Meeting.

Approved by the Board,

Christopher Childs
Chairman of the Board
6 March 2020

Olivier Grimonpont
Chief Executive Officer
6 March 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DTCC-EUROCLEAR GLOBAL COLLATERAL LTD

Report on the audit of the financial statements

Independent auditor's report to the members of DTCC-Euroclear Global Collateral LTD

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of DTCC-Euroclear Global Collateral Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the accounting policies; and
- the related notes I to XIII.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report[1], other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Fiona Walker, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
6 March 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

($)	Note	2019	2018
Administrative expenses	III	(11,874,137)	(16,435,723)
Net gains/(losses) on foreign exchange		29,584	(9,986)
Operating profit/(loss)		(11,844,553)	(16,445,709)
Net interest income			
Interest and similar income	IV	361,620	287,111
Interest expense	IV	(10,331)	(21)
Impairment on financial assets		523	3,248
Profit/(loss) before income tax		(11,492,741)	(16,155,371)
Taxation	V	6,457,345	-
Profit/(loss) and total comprehensive income/ (expense) for the period		**(5,035,396)**	**(16,155,371)**

The total comprehensive expense for the year is all attributable to continuing operations.

The total comprehensive expense for the year is equally attributable to the owners of the two parent companies.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

($)	Note	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	VI	562,394	-
Total non-current assets		**562,394**	-
Current assets			
Trade and other receivables	VII	6,558,387	30,971
Cash and cash equivalents	VIII	9,830,948	19,859,623
Total current assets		**16,389,335**	**19,890,594**
Total assets		**16,951,729**	**19,890,594**
Equity			
Share capital	IX	107,000,002	107,000,002
Accumulated losses		(93,239,477)	(88,204,081)
Total equity		**13,760,525**	**18,795,921**
Non-current liabilities			
Lease liabilities		488,427	-
Total current liabilities		**488,427**	-
Current liabilities			
Trade and other payables	X	2,613,497	1,094,673
Lease liabilities		89,280	-
Total current liabilities		**2,702,777**	**1,094,673**
Total liabilities		**3,191,204**	**1,094,673**
Total equity and liabilities		**16,951,729**	**19,890,594**

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the board of directors on 6 March 2020 and authorised for issue on that date.

Signed on behalf of the Board,

Christopher Childs

Chairman of the Board

6 March 2020

Olivier Grimonpont

Chief Executive Officer

6 March 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

($)	Note	Share capital	Accumulated losses	Total Equity
Balance as at 1 January 2019		**107,000,002**	**(88,204,081)**	**18,795,921**
Loss and total comprehensive expense for the year		-	(5,035,396)	(5,035,396)
Balance as at 31 December 2019		**107,000,002**	**(93,239,477)**	**13,760,525**

($)	Note	Share capital	Accumulated losses	Total Equity
Balance as at 1 January 2018		**85,000,002**	**(72,044,761)**	**12,955,241**
Adjustment on adoption of IFRS 9		-	(3,949)	(3,949)
Issuance of ordinary shares	IX	22,000,000	-	22,000,000
Loss and total comprehensive expense for the year		-	(16,155,371)	(16,155,371)
Balance as at 31 December 2018		**107,000,002**	**(88,204,081)**	**18,795,921**

The total equity is attributable to the owners of the parent company.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

($)	Note	2019	2018
Loss before income tax		**(11,492,741)**	**(16,155,371)**
Adjustments for:			
- Impairment		(523)	-
- Interest income		(361,620)	(287,111)
- Interest expense		10,331	21
Other non-cash movements		3,846	(3,949)
Changes in working capital:			
- Net (increase)/decrease in trade and other receivables	VII	(6,527,416)	32,660
- Net increase/(decrease) in trade and other payables	X	1,518,824	(3,426,093)
Cash used in operating activities		**(16,849,299)**	**(19,839,843)**
Tax receivable		6,537,734	-
Interest paid		(10,331)	(21)
Interest received		361,620	287,111
Net cash used in operating activities		**(9,960,276)**	**(19,552,753)**
Cash flow generated from financing activities			
- Proceeds from issuance of Ordinary Shares	IX	-	22,000,000
- Principal elements of lease payments		(68,399)	-
Net cash generated from financing activities		**(68,399)**	**22,000,000**
Net increase/(decrease) in cash and cash equivalents		**(10,028,675)**	**2,447,247**
Cash and cash equivalents at beginning of year		**19,859,623**	**17,412,376**
Cash and cash equivalents at end of year	**VIII**	**9,830,948**	**19,859,623**

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of significant accounting policies

1. General Information

The Company, DTCC-Euroclear Global Collateral Ltd, is a limited liability company and is domiciled in the United Kingdom (England) with a registered office at Watling House, 33 Cannon Street, London EC4M 5SB.

2. Accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies set out below are in accordance with the Companies Act 2006 as applicable to companies using IFRS.

The financial statements have been prepared under the historical cost convention.

The accounting policies have been applied consistently. The following new standard, interpretation and amendments to standards became effective on 1 January 2019:

- IFRS 16 Leases
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

IFRS 16 Leases revises the accounting model for lessees through the measurement of right-of-use (ROU) asset and lease liability at present value of lease payments. The Company had one building lease contract in scope of the standard, but has elected to apply the short term exemption as at 1 January 2019 (lease expiring within 12 months and not yet renegotiated as at transition date). The Company has, as a result, not recorded any adjustment arising from the new leasing rules in the opening balance sheet on 1 January 2019. The adoption of the above interpretation and amendments to standards had no impact on the financial statements.

The following amendments to standards will become effective on 1 January 2020.

- Amendment to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material

These amendments are not expected to affect the future periods.

IFRS 9 on Financial Instruments was adopted on 1 January 2018. The impacts of the adoption are detailed in the 2018 financial statements.

After making enquiries, the directors have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future after considering the following factors:

- There is a high level of judgement regarding the Company's future financial performance, especially around the revenue forecast as no track record exists with regards to predictability of earnings. Management and the Board pay significant attention to client on-boarding and have defined milestones based on which the company's situation is closely monitored.
- The two shareholders DTCC and Euroclear have demonstrated support in the past years by injecting a total of $107,000,002 in the Company.
- Going forward after the restructuring, Euroclear as the sole shareholder continues to support the Company. The Company has sufficient financial resources to cover its expenses during the next 12 months, even in the worst case scenario of not generating any revenue during this period.

For this reason, the directors continue to adopt the 'going concern' basis in preparing the financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

(a) **Revenue recognition**

Fee and commission income and expense which respectively represent a return and cost for services rendered are recognised in the income statement at the point in time when the related service is performed and the resulting performance obligation is met. Fee expense is directly attributable to revenue earned and recognised at the point in time when the related service is performed. Fee income comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of activities. There is no revenue in the current year.

(b) **Interest income and expense**

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate for financial assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(c) Administrative expenses

Administrative charges are recognised on a straight-line basis over the year which they relate.

(d) Taxation

Current tax, including UK corporation tax and foreign taxes, is provided at the current rate on the profits arising in the year.

Deferred income tax is provided in full on a non-discounted basis, using the liability method, on temporary differences arising (i) between the tax bases of assets and liabilities at the anticipated rate of recovery and their carrying amount in the financial statements; and (ii) from tax losses carried forward.

Deferred tax assets are recognised to reflect the future tax benefit from unused tax credits and other temporary differences. If there is a concern about the Company's capacity to utilise the tax assets, the assets are impaired.

Consideration for consortium relief is agreed with each of the consortium members and is calculated as a percentage of the tax benefit. Amounts are included in the tax disclosures.

(e) Foreign currencies

DTCC-Euroclear Global Collateral Ltd uses USD as both its functional and presentational currency. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the rate of exchange prevailing at the end of the financial year. Transactions in foreign exchange are translated at foreign exchange rates present on the date of the transaction.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost, and have a maturity of less than three months. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks with a maturity of less than three months.

(g) Trade and other receivables

Trade and other receivables are amounts due from debtors for goods or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently submitted to impairment reviews.

(h) Financial assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Company measures the fair value of an instrument as the published price at the balance sheet date.

Business model assessment. A business model refers to how the Company manages its financial assets in order to generate cash flows. It is determined on a level that reflects how financial assets are managed to achieve a particular business objective. The Company's objective can be:

- solely to collect the contractual cash flows from the assets (held to collect);
- *to collect both the contractual cash flows and cash flows arising from the sale of the assets (held to collect and sell); and*
- neither of the above, i.e. financial assets held for trading purposes, and the financial assets are classified as other business model.

Factors considered by the Company in determining the business model for a group of assets include objectives for the portfolios, how the asset's performance and risks are evaluated, managed and reported to management, and past experience.

Assessment of contractual cash flows as SPPI. The Company assesses whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

Reclassifications. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

(i) Impairment of financial assets

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

IFRS 9 requires the recognition of 12 month expected credit losses if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL, that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of the default. ECLs on financial assets are individually assessed.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

For trade receivables with no significant financing component, a simplified approach requiring the recognition of lifetime ECLs at all times applies. The expected credit losses on these assets are collectively assessed and estimated using a provision matrix based on the Euroclear group's historical credit loss experience. Macro-economic factors are not considered as no significant statistical relationship has been observed until now between impairment losses and macro-economic factors. Macro-economic factors would be considered if these would become significant. Expected credit losses are based on the age of the receivables. If all or part of a client's receivable is confirmed as being irrecoverable, the value of that receivable will be reduced accordingly.

The Company writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

The aggregate of provision made (less amounts released and recoveries of bad debts previously written off) is charged against operating profit in the profit and loss account.

(j) Leases

Leases where the entity is a lessee are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the entity. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:
- *fixed payments, less any lease incentives receivable;*
- variable lease payments that depend on an index or a rate;

- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the entity is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the lessee exercising the option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the entity, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- end of lease obligations.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the entity is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

(k) Provisions

Provisions are recognised where (i) there is a present obligation arising from a past event; (ii) there is a probable outflow of resources; and (iii) the outflow can be estimated reliably.

Provisions for litigation are recorded when there are strong indications that costs will be incurred to settle the legal cases concerned and a reliable estimate can be made.

(l) Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of one or more uncertain future events not wholly under the control of the Company. For those present obligations where the outflows or resources are uncertain, or in the rare cases where these outflows cannot be measured reliably, this will give rise to a contingent liability. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

(m) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the normal course of business. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are initially recognised and subsequently measured at fair value.

(n) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The estimates and associated assumptions are usually based on historical experience.

The Company's deferred tax assets reflect management's best estimate of future taxes to be paid. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating the Company's ability to recover deferred tax assets in the jurisdiction from which they arise, management has considered the inherent uncertainty in forecasting the amount and timing of future taxable profits.

The impairment requirements require management judgements, estimates and assumptions including determining a significant increase in credit risk since initial recognition.

II. Financial risk management

The Company is exposed to a variety of financial risks including foreign exchange risk, liquidity risk and credit risk. This note describes the Company's exposure to and management of these risks, including capital management. The management of operational and business risks has been described in the strategic report.

Credit risk

Credit risk is the risk that DTCC-Euroclear Global Collateral Ltd is exposed to loss if a customer or another party fails to perform its financial obligations to the Company.

The Company does not extend loans or credit facilities to its customers. The Company currently has no active customers.

The Company's investment policy is to deposit its cash surplus with banks with an internal A- credit rating.

Liquidity risk

Liquidity risk is the risk that DTCC-Euroclear Global Collateral Ltd, though solvent, does not have sufficient financial resources available to enable it to meet its obligations as they fall due.

Cash reserves are managed to ensure that the Company is able to meet its financial obligations at all times. As detailed in note VI, DTCC-Euroclear Global Collateral Ltd holds most of its liquid assets in the form of cash or cash equivalents, which give rise to little liquidity risk.

Foreign exchange risk

Foreign exchange risk arises from the supply of services where the underlying cost has been accounted for in EUR or GBP.

For the time being, the Company does not actively hedge against currency exposures.

Management of capital

The Company is monitoring its start-up capital closely. The last capital increase of $22,000,000 took place in December 2018.

Capital (and cash) needs are monitored to ensure that the Company is able to meet its financial obligations at all times. Comprehensive stress testing analysis is performed to evidence capital needs under various adverse scenarios.

The Company is required by the Financial Conduct Authority to be able to meet its liabilities as they fall due. The Company may use any assets which are available to meet any of its liabilities.

III. Administrative expenses

($)	Note	2019	2018
Services charged by parent companies	XII	**11,084,311**	**16,211,419**
- Commercial. Product Management & Strategy services		4.161,498	7.705.488
- IT infrastructure services		1.938,360	2.946.860
- Other support services		4.984,453	5.559.071
Independent auditors' remuneration		65,383	71,729
Fees		507,518	30,596
Depreciation		75,999	-
Other expenses		140,926	121,979
Total		**11,874,137**	**16,435,723**

Auditors' remuneration was as follows:

($)	2019	2018
Fees payable to the Company's auditors for:		
- *The audit of the Company*	65,383	71.729
Total	**65,383**	**71,729**

IV. Net interest income

($)	2019	2018
Interest income on financial instruments		
- Loans and advances at amortised cost	361,620	287,111
Total interest income	**361,620**	**287,111**
Interest expense on financial instruments		
- Overdrafts	(1,170)	(21)
Interest expense on lease liabilities	(9,161)	-
Total interest expense	**(10,331)**	**(21)**
Net interest income	351,289	287,090

V. Taxation

The Company is a resident in the UK for UK corporation tax purposes. In 2016, the Company has reviewed and determined a US taxable presence following the presence of certain individuals and certain activities in the US. This US taxable presence has continued since then.

The Company's 2017 and 2018 tax losses were transferred to affiliated entities of the consortium members DTCC and Euroclear through consortium relief. The Euroclear affiliated entity will pay a compensation to DEGCL amounting to 80% of the tax benefit it has received. The DTCC affiliated entity has not compensated DEGCL for the tax benefit received.

No new deferred tax asset (DTA) were recognised for tax losses unutilised at year end due to the uncertainty on the level of future taxable profits against which they could be utilised.

($)	Note	2019	2018
UK and US Current Corporation Tax			
Current tax on income for the year		-	-
Tax relief in respect of prior years		(6,457,345)	-
Total Current Tax		**(6,457,345)**	-
(Origination)/write off of timing differences		-	-
Remeasurement due to change in tax rate		-	-
Total Deferred Tax		-	-
Tax expense/(income)		**(6,457,345)**	-

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the average tax rate applicable to the loss of the Company as follows:

($)	2019	2018
Profit/(loss) before tax submitted to corporation tax	(11,492,741)	(16,155,371)
UK Corporation Tax at 19% (2018: 19%)	(2,183,621)	(3,069,520)
Write off of tax losses carried forward	2,183,621	3,069,520
Tax charge/(income)	-	-

A reduction in the UK main corporation tax rate to 17% will be effective from 1 April 2020.

VI. Lease of the Company's office

Following the adoption of IFRS 16, the Company has recognised in 2019 a right of use for the lease of the Company office.

($)	Land and building : Right-of-u se asset
Cost	
At 1 January 2019	-
Additions	638,393
At 31 December 2019	**638,393**
Accumulated depreciation	
At 1 January 2019	-
Depreciation charge	(75,999)
At 31 December 2019	**(75,999)**
Net book value at 31 December 2019	**562,394**

As at 31 December 2019, the lease liability amounts to $577,707. €89,280 is payable within 1 year, $471,935 is payable between 1 to 5 years, and $16,492 after 5 years.

VII. Trade and other receivables

($)	2019	2018
Receivable from tax relief	6,537,734	-
VAT recoverable	771	9,282
Other debtors and prepayments	19,882	21,689
At 31 December	**6,558,387**	**30,971**

Trade and other receivables consist of amounts due from affiliated undertakings and non-affiliated undertakings. These amounts are short-term (less than three months), hence their carrying value is a reasonable approximation of their fair value.

Included within the Company's receivables is an amount of $6,537,734 payable by a Euroclear affiliate under the mechanisms of consortium relief for the years ended 31 December 2017 and 31 December 2018. Please refer to note IV for further details.

VIII. Cash and cash equivalents

($)	2019	2018
Cash at bank and in hand	2,658,341	2,737,017
Short-term bank deposits	7,172,785	17,123,307
Expected credit loss	(178)	(701)
At 31 December	**9,830,948**	**19,859,623**

IX. Share capital

($)	2019	2018
Allotted and fully paid share capital		
53,500,001 (2018: 53,500,001) Ordinary Shares A of 1 $ each	53,500,001	53,500,001
53,500,001 (2018: 53,500,001) Ordinary Shares B of 1 $ each	53,500,001	53,500,001
At 31 December	**107,000,002**	**107,000,002**

Following the issuance of 22,000,000 shares in 2018 for $22,000,000 equally subscribed by both shareholders, DTCC Global Holdings B.V. has subscribed and paid for 53,500,001 A Shares for a total subscription price of $53,500,001 (2018: $53,500,001) and Euroclear SA/NV has subscribed and paid for 53,500,001 B Shares for a total subscription price of $53,500,001 (2018: $53,500,001). A and B shares rank pari passu and have the same voting, dividend and capital distribution rights attached to them.

X. Trade and other payables

($)	Note	2019	2018
Amounts owed to parent companies	XII	1,489,204	1,020,106
Other accruals and deferred income		1,124,293	74,567
At 31 December		**2,613,497**	**1,094,673**

The Company shall pay all parent companies' undisputed charges within 30 days of the invoice. All other trade and other payables are due within six months.

The Company has received pre-payments from clients for $1,050,000.

XI. Ultimate parent company

DTCC-Euroclear Global Collateral Ltd is jointly controlled by Euroclear SA/NV and the DTCC (The Depositary Trust & Clearing Corporation) Global Holdings B.V. The registered office of DTCC-Euroclear Global Collateral Ltd is Watling House, 33 Cannon Street, London EC4M 5SB.

Euroclear SA/NV is incorporated in Belgium. The ultimate parent company of Euroclear SA/NV is Euroclear Holding SA/NV, which is incorporated in Belgium. The registered office of Euroclear Holding SA/NV is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium. Copies of the Euroclear Holding SA/NV group financial statements and the Euroclear SA/NV group financial statements can be obtained from this address or on www.euroclear.com.

DTCC Global Holdings B.V. is incorporated in The Netherlands. The ultimate parent of DTCC Global Holdings B.V and the controlling entity is The Depositary Trust & Clearing Corporation incorporated in the United States. The Depositary Trust & Clearing Corporation registered address is 570 Washington Boulevard, Jersey City, NJ 07310 in the United States. Copies of The Depositary Trust & Clearing Corporation financial statements can be obtained on the same address or on www.dtcc.com.

XII. Related party transactions

XII.1. Transactions with parent companies

DTCC-Euroclear Global Collateral Ltd has entered into various agreements with its parent companies for the provision of services. The parent companies are the key suppliers to the Company. They provide support in terms of product management, commercial, legal, regulatory, audit, risk management, compliance and finance. Services provided by the parents are invoiced monthly, subsequent to the services being provided. The IT project costs are charged as a percentage of revenue. No project costs were recharged in 2019.

The following is a summary of the balances included in the financial statements and relating to the Company's transactions with its parent companies:

($)	Notes	2019				2018			
		Euroclear SA/NV	DTCC	Euroclear SA/NV's subsidiaries	Total	Euroclear SA/NV	DTCC	Euroclear SA/NV's subsidiaries	Total
Assets									
Non-current assets									
Property, plant and equipment	V	562,394	-	-	562,394	-	-	-	-
Current assets									
Other assets	VII	-	-	6,537,734	6,537,734	-	-	-	-
Total assets		**562,394**	**-**	**6,537,734**	**7,100,128**	**-**	**-**	**-**	**-**
Liabilities									
Non-current liabilities									
Lease liabilities		488,427	-	-	488,427	-	-	-	-
Current liabilities									
Trade and other payables	X	263	1,488,941	-	1,489,204	(938,459)	1,958,565	-	1,020,106
Lease liabilities		89,280	-	-	89,280	-	-	-	-
Total liabilities		**577,970**	**1,488,941**	**-**	**2,066,911**	**(938,459)**	**1,958,565**	**-**	**1,020,106**
Comprehensive Income									
Interest expense		(9,162)	-	-	(9,162)	-	-	-	-
Administrative expenses		(1,641,324)	(9,442,987)	-	(11,084,311)	(2,140,477)	(14,070,943)	-	(16,211,420)
Taxation	III	-	-	6,457,345	6,457,345	-	-	-	-
Total Comprehensive Income		**(1,650,486)**	**(9,442,987)**	**6,457,345**	**(4,636,128)**	**(2,140,477)**	**(14,070,943)**	**-**	**(16,211,420)**

XII.2. Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity or of the parents of the entity.

The Board considers key management personnel to comprise the directors of DTCC-Euroclear Global Collateral Ltd as well as voting members of the Company's Operating & Risk Committee. There are six voting members of the Company's Operating & Risk Committee who are currently remunerated by the two parent companies and recharged to the Company.

The recharge in respect of these individuals is $1,083,094 (2018: $1,400,059) and is included in the administrative expenses.

XII.3 Directors emoluments

At 31 December 2019, there were 8 Board directors in office. Two directors are executive directors and also members of the Company's Operating & Risk Committee. The emoluments of these two executive Board directors are paid by the parent companies and recharged to DTCC-Euroclear Global Collateral Ltd. The parent companies do not recharge the Company for the non-executive directors.

The recharge for the highest paid director is $102,301 (2018: $354,000).

XIII. Post balance sheet events

In January 2020, Euroclear and DTCC signed an agreement confirming the dissolution of the Joint Venture in March 2020. The MTU business will transfer to DTCC and the 50% share of DEGCL owned by DTCC will transfer to Euroclear SA/NV.