

# Digital transformation at Clearstream

ECB OMG meeting on 17 December 2020

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# In the next few years, four fundamental trends will change the securities industry and are already visible today

## I. Changing issuer and investor needs

- General trend of buy-side towards **passive investment** and increasing focus on **data** fundamentally changes requirements on post-trade intermediaries
- Issuers move towards more **flexible, short-term, small ticket size issuance** requiring short lead time and automated processes
- Proximity between infrastructures and buy-side increases, requiring the former to put more focus on **client experience**
- Increased importance of **ESG** investment will trigger change along all players in the chain

## II. Cost pressure and industry consolidation

- Increased **cost pressure** by investors on all players along the value chain will lead to **further consolidation** in the space
- Value chain to be further disrupted by infrastructures moving up while buy-side looking for **direct access models**
- Increased adoption of **platform** approaches to cover larger parts of the ecosystem, often in **partnerships** between players in adjacent business areas

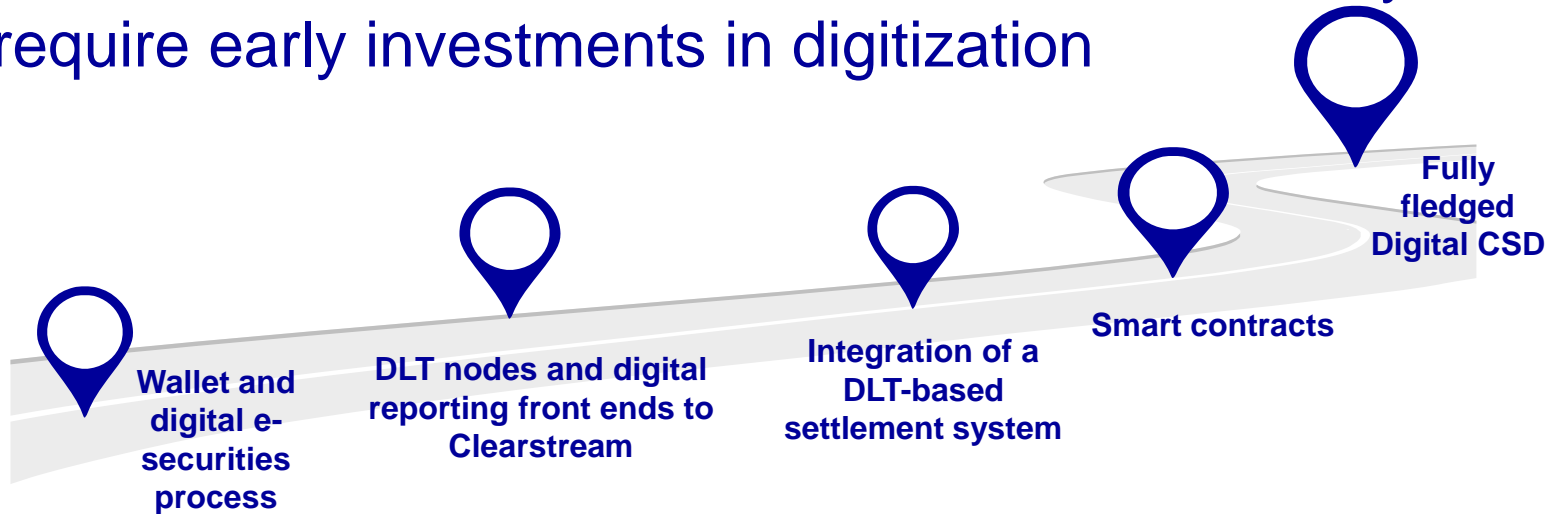
## III. Technological disruption innovation

- **DLT** will foster the development of new market models in the long run
- Leverage on **cloud technology**, accelerated digitization of processes, products and distribution channels, leading to cost reduction and focus on processes with client proximity and high added value
- Larger-scale adoption of **artificial intelligence** and **machine learning**, new business models based on new technologies as well as new entrants to the industry from the technology sector

## IV. Ongoing regulatory pressure

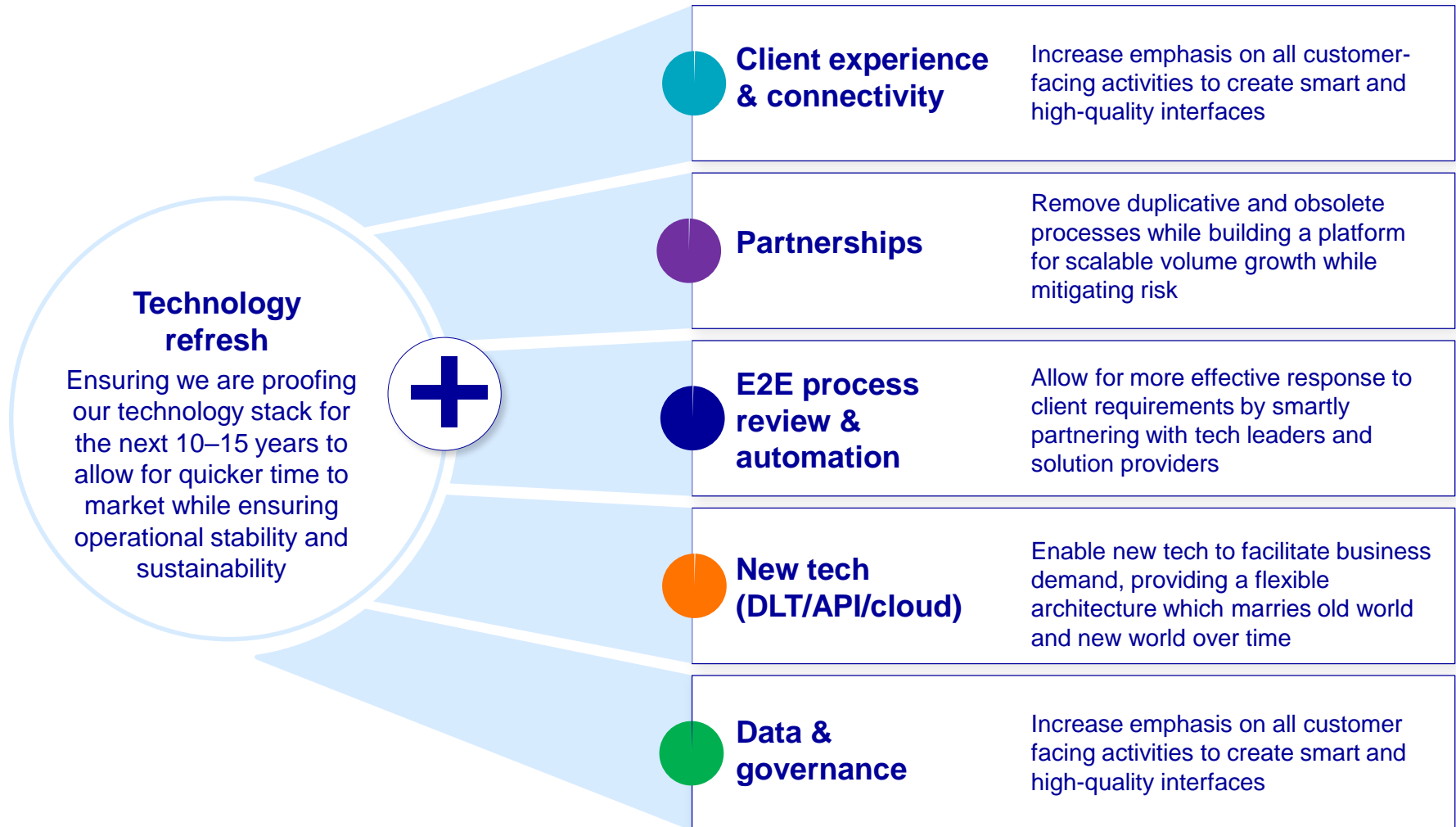
- While CSDR and T2S dominated the last decade in the post-trade space, next steps are yet not fully clear
  - Is there an ECB „**next step**“ after **T2S**? Would that cover asset servicing harmonization?
  - How will **post-CSDR** regulation of infrastructure space look like?
- **Regulation on DLT business models** will define how current market entry barriers can be sustained in the future

# Coexistence of old and new world for next 10-15 years still require early investments in digitization



|                  | Issuance                                | Data connectivity                      | Settlement                         | Asset services   | Collateral management     | Benefits |
|------------------|---|--|------------------------------------|--|---------------------------|----------|
| <b>New world</b> | Wallet and digital e-securities process | DLT nodes, APIs and data visualization | DLT-based settlement system        | Smart contracts  | AI auto collateralization |          |
| <b>Old world</b> | Standard accounts, phygital issuance    | GUI, SWIFT & Fax                       | Multiple settlement & cash systems | Asset services with data redundancy and manual processes | Collateral transfer       |          |

# Starting with technology, five additional levers to derive the future target picture



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