Countdown To Brexit: Financial Institutions Are Past The Point Of No Return

October 11, 2018

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Key Takeaways

- Under our Brexit base case, we still believe that a political deal will allow an orderly outcome, aided by a transition period through end-2020. However, the risk of a disruptive Brexit remains significant, in our view.
- Amid political uncertainty, financial institutions have had to plan for a disorderly outcome in March 2019 and, with less than six months to go, they are executing those plans.
- U.K. banks are the most vulnerable to a disruptive Brexit, which could lead to a domestic political crisis and the economy contracting, leaving the property market vulnerable if unemployment rose.
- Other largely open European economies, like Ireland, Belgium or The Netherlands, would also feel the impact of a disruptive Brexit, though we expect banks in these countries to be able to accommodate it.
- For financial market infrastructure (FMI) providers and banks alike, we see substantial unmitigated risk in a no-deal scenario arising from cleared and uncleared derivatives.

Less than six months remain until the U.K. is due to exit the EU in March 2019. Nevertheless, financial institutions (FIs) find themselves preparing for Brexit with few of the basic political questions answered--questions that will guide future economic performance as well as regulation and policymaking. Some FIs have now reached the point of no return, and have started to trigger aspects of their contingency plans--such as cross-border legal entity mergers and the establishment of additional licensed entities. Such actions are unlikely to be reversed even if the U.K., against all expectations, decided to stay in the single market and/or EU. As the autumn progresses, sustained uncertainty about the political outcome will lead FIs to take further steps in order to position themselves for what they have to assume will be a disruptive Brexit in March 2019.

For rated FIs, the most immediate implication from Brexit is one of risk mitigation. In this respect, the significant uncertainty, so late in the day, about the extent and terms of any political agreement is hugely unhelpful for FIs. While we see the industry as increasingly well prepared in many respects, FIs and their regulators still have a lot of work to do and, if there is no political deal

that allows an orderly transition, they would have precious little time to deliver.

Deal Or No Deal?

Our base case continues to envisage that the politicians will reach a withdrawal agreement that allows for a period of continuity, covering the period until end-2020. At the very least, this orderly outcome would buy some time to thrash out the details of a deal on the future relationship post-2020. It would also allow FIs more time to adjust and phase the implementation of their Brexit plans. In this scenario, we anticipate a moderately supportive macroeconomic and funding market backdrop (see table 1) suggestive of a very limited near-term deterioration in the creditworthiness of U.K. and European FIs--as our stable outlooks on the vast majority of them suggest. The post-2020 political, economic, and regulatory landscape would remain important, however.

Table 1

Main European Economic Indicators September 2018

Central Forecast

	Germany	France	Italy	Spain	Netherlands	Belgium	Eurozone	United Kingdom	Switzerland
Real GDP (% change)									
2017	2.5	2.3	1.6	3	3	1.7	2.5	1.7	1.7
2018(f)	1.8	1.6	1.1	2.7	2.8	1.5	2	1.3	2.9
2019(f)	1.7	1.6	1.1	2.4	2.2	1.5	1.7	1.3	1.6
2020(f)	1.5	1.6	1	2.1	1.8	1.6	1.6	1.5	1.5
2021(f)	1.3	1.5	0.9	1.8	1.6	1.5	1.5	1.2	1.4
CPI inflation (%)									
2017	1.7	1.2	1.3	2	1.3	2.2	1.5	2.7	0.5
2018(f)	1.8	2	1.4	1.9	1.7	2	1.7	2.4	1
2019(f)	1.8	1.6	1.5	1.9	2	2	1.6	1.9	1
2020(f)	1.9	1.6	1.6	1.8	1.8	1.9	1.6	1.7	1.2
2021(f)	2	1.8	1.8	1.8	1.9	1.9	1.7	2.6	1.3
Unemployment rate (%)									
2017	3.8	9.4	11.3	17.2	4.9	7.1	9.1	4.4	3.2
2018(f)	3.3	9.1	10.9	15.5	3.9	6	8.3	4.1	2.9
2019(f)	3	8.8	10.6	14.3	3.8	5.8	7.8	4.3	2.7
2020(f)	2.8	8.7	10.5	13.3	3.7	5.7	7.5	4.5	2.7
2021(f)	2.6	8.6	10.5	12.5	3.6	5.6	7.2	4.6	2.6
10-year bond yield (yearly average)									
2017	0.4	0.8	2.1	1.6	0.5	0.7	1.1	1.2	-0.1
2018(f)	0.4	0.7	2.6	1.4	0.6	0.7	1.1	1.5	0
2019(f)	0.9	1.3	3.2	2	1.1	1.3	1.6	2	0.4
2020(f)	1.4	1.9	3.7	2.8	1.6	1.9	2.2	2.7	0.9
2021(f)	1.9	2.4	4.1	3.4	2.1	2.5	2.7	3.3	1.2

Table 1

Main European Economic Indicators September 2018 (cont.)

Central banks policy rates (yearly average)

	ECB	BOE	SNB
2017	0	0.29	-0.75
2018(f)	0	0.6	-0.75
2019(f)	0.08	0.84	-0.69
2020(f)	0.5	1.31	-0.25
2021(f)	1	1.59	0.25

Exchange Rates

	USD/EUR	USD/GBP	EUR/GBP	CHF/USD	CHF/EUR
2017	1.13	1.29	1.14	0.98	1.11
2018(f)	1.19	1.34	1.13	0.97	1.15
2019(f)	1.2	1.35	1.13	0.96	1.15
2020(f)	1.26	1.46	1.16	0.92	1.16
2021(f)	1.25	1.47	1.17	0.92	1.15

Source: "Euro Weakness Is Not Over Yet," published on Sept. 26, 2018.

If the U.K. and EU fail to conclude a withdrawal treaty and political agreement on the future relationship, this could lead to a disruptive Brexit in March 2019. The likelihood of such an outcome remains significant, and the slow progress of both the U.K. and EU to coordinate their "no deal" safeguarding measures risks exacerbating the inevitable disruption that would arise. That said, even in a "no deal" outcome, mitigation policies--for example a temporary equivalence recognition for FMIs and derivatives counterparts--could be implemented in order to alleviate disruption.

Understanding The Risks

In our view, U.K. banks would be the most vulnerable banks under a disruptive Brexit. While other largely open European economies, like Ireland, Belgium or The Netherlands, could also feel the impact of a disruptive Brexit, we would expect banks in these countries to be able to accommodate it. Looking across the industry, without mitigation financial stability risks could yet crystallize--notably around the service continuity for cleared and uncleared derivatives--but this depends on a future regulatory/political (rather than market) solution.

Another issue is around data sharing. As data controllers, FIs cannot do this easily with third country parties unless that country's legal framework is deemed to offer equivalent protections as under the EU's general data protection regulation (GDPR).

U.K. banks

For the U.K., a disruptive Brexit could likely lead to a domestic political crisis and in turn the economy contracting, leaving the property market vulnerable if unemployment rose abruptly. While we recognise on the whole that U.K. banks' earnings and balance sheets are solid and provide a substantial cushion to withstand potential turbulence from political and economic

events--indeed these strengths contribute to our current stable view of the sector--their current ratings and/or outlooks may not prove to be consistent with a disruptive Brexit accompanied by a severe economic shock.

Specifically, macroeconomic weakness that manifests itself in higher unemployment, lower investment, and retreating consumer spending could lead to rising personal and corporate insolvencies and weaker collateral values. In time, this would likely play through in bank asset quality and activity levels, undermining their earnings and, possibly, capitalization to a modest degree. In our view, these factors would be relatively greater for smaller lenders given their business focus on U.K retail banking or property-related lending. Wholesale market disruption would be unhelpful for the sector as a whole--not least because the larger U.K. banks in particular actively use the U.S. and other non-U.K. debt markets. Spread widening or funding disruption for the banks and other U.K. corporates could be more acute if the market perceived the U.K. sovereign to have weakened. The Bank of England (BOE) explored major U.K. banks' potential resilience to a similar but potentially more severe macroeconomic downturn scenario in the sector stress test in late 2017--a scenario that they have re-run for their 2018 exercise. Under this lens, the banks appeared resilient in 2017, and we expect a similar result this time also.

The larger U.K. banks will also feel the effects of Brexit from a licensing and client service perspective, though we see this as a much lesser concern than the macroeconomic implications described above. The U.K banks most affected here are HSBC and Barclays, given the extent of their business activity across the EU27. While we understand they have significant work still to do to complete their planned migration of activity and personnel into the EU27, they are leveraging their existing EU27 subsidiaries for this purpose, and appear relatively well advanced in their execution. That said, delays in regulatory approvals of licence applications for some banks could result in a need to hold back on some lines of business for European customers.

Ultimately banks are a function of the economy which they serve. Investment-grade bank ratings take a long-term view of creditworthiness and imply that a highly rated bank can withstand a typical recession, perhaps with only a one-notch downgrade during the period, absent bank-specific problems. Our generally supportive view of U.K. bank capitalization, asset quality, and funding and liquidity profiles, and the Bank of England's stress test data, support this view.

Under our base case of a non-disruptive Brexit, we do not anticipate any substantial rating changes for U.K. banks. This reflects a degree of greater comfort since June 2016: to reflect significant uncertainties after the referendum, we initially assigned negative outlooks to many of the banks, but revised them to stable in late 2017. It also reflects our view that the banks' building of substantial capital and liquidity buffers and proactive treasury management (eg in front-loading issuance activity) has left them far better able to deal with such problems.

Non-EU banks

Until now, London has been the principal EU base for non-EU banking groups, notably from the U.S., Canada, Switzerland, and Japan. Depending on the scope of their activities, the typical operating model has been to use a blend of licenses to address the EU market--a London branch of the parent bank, one or more U.K. subsidiaries (for example a bank and a broker), and widespread use of those subsidiaries' branch and services passporting rights. Larger groups typically also have other licensed subsidiaries elsewhere in the EU.

Their initial hopes were that the U.K. would seek to remain in the EEA (European Economic Area), which would have limited consequences for licensing and operational organization. However, these hopes quickly faded. Since early 2017, banks have known that they may well need their

contingency plans in practice. Indeed, the question has been rather more whether the existing arrangements would meet a hard stop in March 2019 or else benefit from a transition deal through end-2020. The need to plan for the worst means that these groups have been preparing for a hard Brexit for some time now. In practice, this means expanding existing licenses, or gaining new ones, for one or more subsidiaries in the EU27, and typically also seeking a U.K. licence to branch that EU27 entity back into the U.K.

These groups have sought to minimise the upheaval to their existing operations, at least on day one post-Brexit. Discussions with EU27 regulators have typically explored the minimum substantive presence that they would permit: the thorniest topics being the booking model, risk management, and personnel. Nevertheless, their related Brexit projects remain multi-faceted, complex, and resource-sapping (notably in terms of management time, but also cost). Aside from gaining the necessary licenses, live workstreams include: information systems and financial reporting, ensuring connectivity to financial market infrastructures (FMIs), re-papering of contracts with some clients, expanding or securing physical facilities, managing the redeployment of personnel, and gaining court approval for legal mergers or business transfers.

While all these workstreams continue apace, we see it as positive that the larger banks at least appear relatively well-placed to ensure operational continuity even for a hard Brexit in March 2019--at least for the aspects that are within their control. Locations have been identified, typically Frankfurt, Paris, Dublin, and Amsterdam. Licensing discussions appear relatively well advanced in many cases, now focusing on granular issues such as finalising the extent to which any back-to-back risk management arrangements will be permitted between the U.K. and EU27 entities, and the pace at which the ramp-up of the EU27 operation will need to take place. (The ECB has reportedly accepted that this could continue until well after March 2019.) Where banks are relying on cross-border mergers to effect the necessary transfer of business, for example as planned by BAML, they appear to be well on track towards successful execution.

For sure, the creation of additional subsidiaries adds capital, liquidity, and expense inefficiencies. However, assuming that these groups execute well, we see very limited rating implications for them and their rated entities. They will continue to rely heavily on their London operations for capital markets and other banking activities, and we expect London to remain the most important financial center in Europe and one of the most important globally. As such, we typically do not expect U.K. subsidiaries to become markedly less strategically important to these groups.

Similarly, for the new or expanded EU27 subsidiaries, we look at them case by case. While our view of strategic importance relates to the size and visibility of these subsidiaries in a group context, they are likely to play a critical, integral role in allowing these overseas groups to continue to service their EU27 clients, their non-EU clients, and to provide a coherent, comprehensive proposition in global capital markets. For the new subsidiaries that we have rated so far, their ratings have been in line with these groups' existing rated U.K. subsidiaries. This outcome relies principally on our assessment of group status--typically we see the subsidiaries as "core" to the parent--but also our view that if the group failed, a resolution action would ensure full and timely payment to senior creditors of these subsidiaries--in other words, that they would not be allowed to default.

EU27 banks

In our view, Brexit affects EU27 banks in two main ways: from a licensing/client service standpoint, as for the non-EU banks, and, potentially, from a macroeconomic perspective. In addition, in a disruptive Brexit scenario the EU27 banks could face a significant problem as regards certain cleared and uncleared derivatives (see below).

We see the first of these effects as essentially frictional in nature--and somewhat easier to address than it is for non-EU banks. While not straightforward, the U.K. authorities appear willing to relicense these banks' London branches as third country branches and allow their EU27 entities already active in the U.K. to benefit from a temporary permissions regime. Discussions therefore center on necessary adjustments to the booking arrangements for the branch relative to Head Office and from where EU27 clients will be serviced.

While the Irish banks, and to a lesser extent those in other largely open European economies, like Belgium or The Netherlands, could have some sensitivity to a negative macroeconomic effect, particularly in a disruptive Brexit scenario, at this stage we assume no significant impact for economies and banks in these countries. For the largest Irish banks, at this stage we see the main rating sensitivity in a disruptive Brexit scenario as rather the extent to which this sets back the positive trends that we otherwise see today. We look at this through two lenses--first their U.K. subsidiaries, which we consider to have sound balance sheet profiles, and second via a potential slowdown in the pace of growth of the domestic economy and property markets, which is currently ebullient.

The other source of disruption comes from MREL--bail-in buffers. Historically, EU27 banks have issued MREL-eligible instruments under New York or English law. English law will become a third country/non-EU law, so instruments would only remain MREL-eligible if they contain sufficient contractual acknowledgment of the EU resolution authorities' bail-in powers. Most banks started to include such clauses only in recent years, meaning that there will be a body of legacy instruments that become MREL-ineligible. We expect that the effect will differ markedly across the EU27 banks, with few being seriously affected. Since we only include instruments in our ALAC (additional loss-absorbing capacity) measure if they qualify for the regulatory measure, some could also become ALAC-ineligible, leading to moderate underperformance against the ramp-up that our ratings assume for certain banks. A transition agreement could mitigate this risk temporarily, or else we assume that the Single Resolution Board (SRB) will consider some form of grandfathering arrangement. However, to address the problem proactively, we may yet see banks consider liability management exercises, additional issuance, or contractual changes.

Financial market infrastructure

Financial market infrastructure (FMI) providers face a similar set of licensing issues as the banks, though through a different framework. U.K. firms that operate as special scope investment firms (for example, multilateral trading facilities) have historically relied on a passport to provide services across the EU, something that will no longer be possible. As such, they are setting up EU27 subsidiaries, principally in Amsterdam or Paris, to ensure that they can continue to service EU27 clients. The situation is more complicated for the exchanges, clearinghouses (CCPs), and depositories (CSDs), which as third-country providers will henceforth need to rely on recognition by ESMA (for U.K. FMIs) and the U.K. authorities (for EU27 FMIs), backed by a determination of equivalence in the outcome of their regulatory frameworks.

Specifically, for third country CCPs active with EU27 clients, the future landscape will be influenced by EU policymakers' adjustment of the supervisory provisions of European Market Infrastructure Regulation (EMIR), notably to overhaul the current equivalence provisions ("EMIR 2.2"). However, it appears highly unlikely in our view that EMIR 2.2 will be enacted and take effect before March 2019, so its implications would more likely surface further down the road.

So what happens in March? If a transitional arrangement is agreed, this would greatly simplify matters and buy time for agreement on permanent arrangements. If not, the U.K. is legislating to grant temporary recognition to EU27 CCPs and CSDs, allowing them to continue to face

U.K.-based clients. The BOE has called for reciprocal measures from EU27 authorities given that U.K. CCPs and CSDs would be operating under EMIR- and CSDR-consistent frameworks on day one post-Brexit. Without this, a disorderly Brexit risks disruption to interactions between U.K. CCPs and CSDs and their EU27-based clients.

EMIR 2.2

EMIR 2.2 seeks to replace the current equivalence regime with enhanced arrangements for CCPs when they clear the most systemically important asset classes in EU currencies with EU clients. This includes the possibility of dual supervision or even mandated relocation into the EU. While there appears to be strong consensus within the EU behind these changes, the Commodity Futures Trading Commission (CFTC) remains strongly opposed to changed European oversight for the U.S. CCPs that it supervises. In our view, CFTC will likely align with the BOE's preference for mutual recognition of equivalently strong standards --known as "deference".

While dual supervision could yet be a negotiated middle ground for one or more U.K. CCPs, it appears challenging to apply effectively in practice, not least when clear and rapid decision making is required in a crisis. As for mandated relocation, the BOE is far from alone in citing concerns about potential market inefficiency if some asset classes are split into onshore and offshore markets.

We continue to see euro-denominated interest rate swaps clearing as potentially susceptible to a relocation requirement for EU27 clearing members, although it is not our base case. As such, we believe that it would moderately affect market leader LCH Ltd., and work to the advantage of key German competitor, Eurex Clearing, which is well placed to win some volumes if extended policy uncertainty combined with potential margining efficiencies lead market participants to clear more interest rate contracts with them.

While the clearing of EU27 government bonds and related repurchase agreements (repos) appears to be an even more systemically relevant activity than for swaps, these contracts should be largely cleared in the EU27 by March 2019 in any event, and therefore a formal relocation requirement should have limited impact.

Cleared and uncleared OTC derivative contracts

Absent mitigating actions, we continue to see significant scope for disruption for centrally cleared OTC derivatives (such as interest rate swaps). Some of them are subject to a mandatory clearing requirement in the EU under EMIR. That is, by law, EU27 banks must clear these trades through an EU-authorised or a third country CCP that is recognised by ESMA. Other OTC contracts are not subject to a mandatory clearing obligation, but EU27 banks would find it uneconomic to clear them in unrecognised U.K. CCPs. Today, EU27 clients rely heavily on U.K. CCPs in this sphere--for example, the ECB estimates that U.K.-based CCPs clear 90% of EU27-based firms' interest rate swaps.

While the derivative contracts would remain enforceable, it is possible that EU27 members would be legally barred from carrying out lifecycle events for these existing trades where the contracts are cleared in the U.K. Lifecycle events include posting margin, amending, rolling over or compressing the trades, or assisting in the default management process. Faced with having EU27

members that could be unable to perform their contractual obligations from March 2019, U.K. CCPs would have to serve notice on them, typically before end-2018. While an alternative EU27 clearer exists for some contracts, the prospect of closing and reopening a huge volume of OTC derivatives positions between CCPs is not one that the market considers to be workable without EU27 banks incurring significant expense. The BOE states that EU27-based firms have £41 trillion notional value of OTC derivative contracts at U.K. CCPs maturing after March 2019. The transfer of such a large volume of contracts would strain market capacity and could also lead to significant market pricing volatility.

We currently have a positive outlook on the ratings on LCH Ltd. and its majority owner London Stock Exchange Group PLC. This reflects their improving EBITDA margins and cash flow generation, which benefit from favorable structural trends and regulatory reforms. Our base-case view is that LCH Ltd. will maintain its market-leading franchise in OTC interest rate swaps following Brexit, and an upgrade would depend on us becoming increasingly confident in this outcome (see "London Stock Exchange Group, LCH Ltd., And LCH SA Outlooks Revised To Positive On Strong Performance; Ratings Affirmed," published on March 27, 2018).

A similar, acute problem arises for uncleared, bilateral OTC derivatives contracts between U.K. and EU27 counterparts. We understand that they would remain enforceable, but the parties might be unable to enter into new cross-border trades and could be unable to perform some lifecycle events on the existing stock such as the payment of margins, in contravention of their contractual terms. The BOE has estimated that these transactions maturing after March 2019 have a notional value of £18 trillion. Again, the U.K. government is legislating to grant necessary temporary authorisations for EU27-based firms to ensure continuity of contract servicing, and the BOE has called for reciprocal measures by EU27 authorities to mitigate potential financial stability risks.

Appendix

Table 2

Rated EU/U.K. Subsidiaries Of Selected Non-EU Banking Groups

Parent	Subsidiary	Country	Group status	Current notching point	Current ICR (LT/Outlook)	New rating in past 6 months
Commonwealth Bank of Australia		Australia	-	UGCP = a+, GCP = aa-		
	CommBank Europe Ltd	Malta	Core	GCP	AA-/Negative	
Royal Bank of Canada		Canada	-	UGCP = a+, GCP = aa-		
	RBC Europe Ltd	United Kingdom	Core	GCP	AA-/Stable	
	RBC Investor Services Bank SA	Luxembourg	Core	GCP	AA-/Stable	
Mizuho Financial Group, Inc		Japan	-	UGCP = a-, GCP = a		
	Mizuho International plc	United Kingdom	Core	GCP	A/Stable	
Mitsubishi UFJ Financial Group, Inc.		Japan	-	UGCP = a, GCP = a		

Table 2

Rated EU/U.K. Subsidiaries Of Selected Non-EU Banking Groups (cont.)

Parent	Subsidiary	Country	Group status	Current notching point	Current ICR (LT/Outlook)	New rating in past 6 months
	Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.	Luxembourg	Core	GCP	A/Positive	
	MUFG Securities EMEA plc	United Kingdom	Core	GCP	A/Positive	
	MUFG Bank (Europe) N.V.	Netherlands	Core	GCP	A/Positive	
Nomura Holdings, Inc		Japan	-	UGCP = bbb+, GCP = a		
	Nomura Bank International plc	United Kingdom	Core	GCP	A/Negative	
Sumitomo Mitsui Financial Group, Inc.		Japan	-	UGCP = a, GCP = a		
	Sumitomo Mitsui Banking Corporation Europe Ltd	United Kingdom	Core	GCP	A/Positive	
National Bank of Kuwait S.A.K.P.		Kuwait	-	UGCP = a-, GCP = a+		
	National Bank of Kuwait (International) plc	United Kingdom	Core	GCP	A+/Stable	
VTB Bank		Russia	-	UGCP = bb, GCP = bbb-		
	VTB Capital plc	United Kingdom	Highly Strategic	GCP	BB+/Stable	
Credit Suisse Group AG		Switzerland	-	UGCP = a-, GCP = a		
	Credit Suisse International	United Kingdom	Core	GCP	A/Positive	
	Credit Suisse Securities (Europe) Ltd.	United Kingdom	Core	GCP	A/Positive	
	Credit Suisse Securities Sociedad De Valores SA	Spain	Core	GCP	A/Positive	Y
UBS Group AG		Switzerland	-	UGCP = a, GCP = a+		
	UBS Europe SE	Germany	Core	GCP	A+/Stable	Y
	UBS Ltd.	United Kingdom	Core	GCP	A+/Stable	
Bank of America Corp.		U.S.	-	UGCP = a, GCP = a+		

Table 2

Rated EU/U.K. Subsidiaries Of Selected Non-EU Banking Groups (cont.)

Parent	Subsidiary	Country	Group status	Current notching point	Current ICR (LT/Outlook)	New rating in past 6 months
	Bank of America Merrill Lynch International Limited	United Kingdom	Core	GCP	A+/Stable	
	Merrill Lynch International	United Kingdom	Core	GCP	A+/Stable	
Bank of New York Mellon Corp.		U.S.	-	UGCP = a+, GCP = aa-		
	Bank of New York Mellon (Luxembourg) S.A./N.V. (The)	Luxembourg	Core	GCP	AA-/Stable	
	Bank of New York Mellon (International) Ltd.	United Kingdom	Core	GCP	AA-/Stable	
Citigroup Inc.		U.S.	-	UGCP = a-, GCP = a+		
	Citibank Europe PLC	Ireland	Core	GCP	A+/Stable	
	Citigroup Global Markets Deutschland AG	Germany	Core	GCP	A+/Stable	Y
	Citigroup Global Markets Funding Luxembourg S.C.A.	Luxembourg	Core	GCP	A+/Stable	
	Citigroup Global Markets Ltd.	United Kingdom	Core	GCP	A+/Stable	
Goldman Sachs Group Inc. (The)		U.S.	-	UGCP = a-, GCP = a+		
	Goldman Sachs AG	Germany	Core	GCP	A+/Stable	
	Goldman Sachs International	United Kingdom	Core	GCP	A+/Stable	
	Goldman Sachs International Bank	United Kingdom	Core	GCP	A+/Stable	
	Goldman Sachs Paris Inc. et Cie	France	Highly Strategic	GCP	A/Stable	
JP Morgan Chase & Co.		U.S.	-	UGCP = a, GCP = a+		
	JP Morgan AG	Germany	Core	GCP	A+/Stable	
	JP Morgan Bank Luxembourg SA	Luxembourg	Core	GCP	A+/Stable	
	JP Morgan Securities PLC	United Kingdom	Core	GCP	A+/Stable	
Morgan Stanley		U.S.	-	UGCP = a-, GCP = a		
	Morgan Stanley Bank International Ltd.	United Kingdom	Core	GCP	A+/Stable	

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Rated EU/U.K. Subsidiaries Of Selected Non-EU Banking Groups (cont.)

Parent	Subsidiary	Country	Group status	Current notching point	Current ICR (LT/Outlook)	New rating in past 6 months
	Morgan Stanley Europe SE	Germany	Core	GCP	A+/Stable	Y
	Morgan Stanley & Co. International PLC	United Kingdom	Core	GCP	A+/Stable	
State Street Corp.		U.S.	-	UGCP = a+, GCP = aa-		
	State Street Bank International GmbH	Germany	Core	GCP	AA-/Stable	
Wells Fargo & Co.		U.S.	-	UGCP = a, GCP = a+		
	Wells Fargo Bank International	Ireland	Core	GCP	A+/Stable	
	Wells Fargo Securities International Ltd.	United Kingdom	Core	GCP	A+/Stable	

GCP--Group credit profile. UGCP--Unsupported group credit profile.

Related Research

- Credit Conditions: EMEA Looking Over The Edge On Trade And Brexit, Sept. 27, 2018
- Economic Research: Euro Weakness Is Not Over Yet, Sept. 26, 2018
- Who Has The Most To Lose From Brexit? Introducing The Brexit Sensitivity Index, June 9, 2016
- Brexit Risk For The U.K. And Its Financial Services Sector: It's Complicated, June 23, 2015

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