

**MEMO# 30337**

October 25, 2016

# **ESMA Consultation Paper on EU Securities Financing Transactions Regulation - Member Call on 1 November 2016**

[30337]

October 24, 2016

TO: ICI GLOBAL CAPITAL MARKETS UNION TASK FORCE  
ICI GLOBAL EXCHANGE TRADED FUNDS COMMITTEE No. 10-16  
ICI GLOBAL REGULATED FUNDS COMMITTEE No. 72-16  
ICI GLOBAL TRADING & MARKETS COMMITTEE No. 54-16  
INTERNATIONAL COMMITTEE No. 58-16  
INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 28-16  
EQUITY MARKETS ADVISORY COMMITTEE No. 46-16  
DERIVATIVES MARKETS ADVISORY COMMITTEE No. 63-16  
SECURITIES OPERATIONS ADVISORY COMMITTEE RE: ESMA CONSULTATION PAPER ON EU SECURITIES FINANCING TRANSACTIONS REGULATION - MEMBER CALL ON 1 NOVEMBER 2016

On 30 September 2016, the European Securities and Markets Authority (ESMA) published a consultation paper (CP)[1](#) containing draft regulated technical standards (RTS) and implementing technical standards (ITS) under the Securities Financing Transactions Regulation (SFTR)[2](#) and amendments to related RTS under EMIR.[3](#) The publication of the CP follows a discussion paper (DP) published on 11 March 2016.[4](#) ICI Global intends to respond to the CP by the 30 November 2016 deadline.[5](#)

A member call to discuss the CP has been scheduled for 10am ET/2pm GMT on Tuesday 1 November 2016. Dial-in details for the call are below.

US: 1 917 793 0005

UK: 0330 336 0036

Other Numbers: <http://www.powwownow.co.uk/Conference-Call/International-Number-Rates>

PIN: 066875

Please advise Lesley Dunn on +44 207 961 0830 or at [lesley.dunn@iciglobal.org](mailto:lesley.dunn@iciglobal.org) if you wish to join the call, or if you require any further information.

ESMA has appointed Europe Economic Research Limited (“Europe Economics”)<sup>6</sup> – a consultancy specialising in the application of economics to public and business policy issues – to conduct cost/benefit analysis of the draft technical standards in the CP. Europe Economics has approached ICI Global to seek member input, including through interviews, in parallel with ESMA’s consultation. Please advise Giles Swan on +44 207 961 0832 or at [giles.swan@iciglobal.org](mailto:giles.swan@iciglobal.org) if you are interested in contributing to this work, including participating in interviews with Europe Economics, or if you require any further information.

## Background

The SFTR introduces new obligations for funds engaging in securities financing transactions (SFTs), including securities lending and repo transactions. These obligations include detailed reporting to trade repositories (TRs),<sup>7</sup> enhanced disclosure to investors, and restrictions on the re-use of collateral.<sup>8</sup> ESMA has a mandate to develop RTS and ITS to further specify the framework for the reporting of SFTs to TRs. ESMA will submit the draft RTS and ITS at the end of Q1/beginning of Q2 2017 to the European Commission for endorsement.

## Proposed Reporting Framework in the Consultation Paper

The CP describes proposals for the RTS and ITS on the transparency of SFTs required under the SFTR. The CP is split into six main sections and eight annexes. Section 4 of the CP and Annexes VII and VIII – dealing with the format, frequency and details of reports that must be submitted by SFT counterparties to TRs – will be of greatest interest to regulated investment funds and asset managers. The sub-sections of Section 4 of the CP of greatest relevance are summarised below.

### Section 4.1 – Reporting Format

Following the generally positive feedback it received to the DP, ESMA plans to use the ISO 20022 technical format for SFT reporting. Most respondents to the DP encouraged ESMA to adopt this format for other forms of regulatory reporting and TR reporting.

### Section 4.2 – Reporting Logic

ESMA has sought to clarify and restate its proposed “logic” for SFT reporting in the following areas:

- **Counterparty Classification** – ESMA is proposing a classification system for financial counterparties (FCs) to SFTs, under which investment funds will be classified on two levels: (i) as either UCITS or AIF;<sup>9</sup> and (ii) by type (*i.e.* Money Market Fund, Exchange Traded Fund or other).<sup>10</sup> ESMA requests comment on this classification system and asks whether the European System of Accounts classification would be more appropriate<sup>11</sup> (Questions 4-6);
- **Position-level reporting** – ESMA has proposed that its position-level reporting framework for CCP-cleared SFTs is: (i) optional; and (ii) not additional to trade-level reporting. ESMA has requested feedback on the proposed conditions and data elements for position-level reporting (Questions 7-10);
- **Asset pools** – ESMA is proposing that each investment fund participating in an asset pool from which securities are lent, is required to submit separate SFT reports, each with its own Unique Transaction Identifier (UTI).

ESMA has expressed its preference to adopt an EMIR-aligned approach to the reporting of different “action types” for each of the following four categories of data to be reported for an SFT (see Annex for a detailed list of data elements):

- **Counterparty data** – the identity and classification of the SFT counterparties and, if applicable, beneficiaries, brokers, third-party agents, clearing members and CSD participants to the SFT;
- **Collateral re-use data** – classification and details (value, reinvestment rate etc.) of re-use or re-investment of cash and non-cash collateral;
- **Margin data** – currency and value of initial and variation margin and excess collateral;
- **Loan and collateral data** – transaction information (value, type, date, unique transaction identifier, trading details etc.) and collateral information (cash, commodity and collateral pool details).

Under ESMA’s proposed approach, investment funds and asset managers may submit reports with some following action types during the life of an SFT (e.g. a securities lending transaction or repo).

Action Type Event New Initial conclusion of an SFT Modification of business terms  
Substitution of collateral components (e.g. repo) Other modification Daily collateral valuation

ESMA’s proposed approach also envisages additional action types to indicate: (i) incorrectly submitted or modified SFT reports, reported as “cancellation” and “correction” action types respectively; and (ii) SFTs that have been fully or partially terminated prior to their contractually agreed end date or the termination of an open-ended SFT, as a “termination” action type. The table below shows ESMA’s proposed action types for different categories of data.

Action Type	New	Initial	Conclusion of an SFT	Modification of business terms	Other modification	Error
Correction	x	x	x	x	x	x
Termination	x	x	x	x	x	x
Report Types						
Counterparty	x	x	x	x	x	x
Loan and collateral	x	x	x	x	x	x
Margin	x	-	x	x	x	-
Collateral re-use	x	-	x	x	x	-

ESMA requests comments on its proposed approach to report types and action types, including the data elements that should be reported under the “modification of business terms” and “other modification” action types (Questions 11-13).

### Section 4.2.3 - Trade Direction

In response to feedback on the DP, ESMA is no longer planning to align the reporting on the direction of a trade with EMIR. Instead, ESMA plans to identify different counterparties to an SFT on the basis of whether the counterparty is the “giver” or “taker” of collateral. ESMA defines the “collateral taker” in the following manner:

- for repo trades, as the counterparty that buys securities, commodities, or guaranteed rights relating to title to securities or commodities on the opening or spot leg of the trade and agreeing to sell them at a specified price on a future date (closing or forward leg of the trade);
- for securities borrowing and lending, the counterparty that lends the securities or commodities, subject to a commitment that equivalent securities or commodities will be returned on a future date or on request.

The other counterparty is identified by ESMA as the “collateral giver”. ESMA is requesting feedback on its proposals to identify counterparties as collateral givers and collateral takers

(Questions 14 and 15).

#### **Section 4.2.4 - Trade Scenarios**

ESMA has identified five repo scenarios and four securities lending scenarios that it considers to be most common, as below:

SFT Type # Scenario **Repo** Bilateral 1 Trade intermediated by broker/agent 2 Trade with a broker acting on its own account Centrally cleared (with CCP interposing itself between the two counterparties) 3 Counterparties are clearing members 4 Counterparties are not clearing members 5 Counterparties are not clearing members, trading with clearing members who participate in an agent capacity. **Securities Lending** Bilateral 1 Direct trade between two counterparties 2 Trade intermediated by lending agent 3 Trade with principal intermediary Centrally cleared 4 CCP cleared model, including using tri-party agent

For each trade scenario, ESMA sets out the reports to be submitted by each counterparty and, as relevant, the broker, CCP or agent to the SFT. When describing the bilateral repo scenario involving a broker acting on its own account (scenario #2 in the table above), ESMA states that in cases where UCITS funds (or AIF) are concluding repos, the funds would be identified as “Counterparty 1” and “Counterparty 2” and the fund management company as “Counterparty 3”. ESMA requests feedback on the repo scenarios (Questions 16-18) and the securities lending scenarios (Questions 19-21).

For securities lending SFTs, ESMA is also proposing to require the end of day market value of securities to be reported (and updated daily) as part of the loan and collateral data,[12](#) using the “other modification” action type. ESMA is requesting feedback on the potential issues that counterparties face in daily market value reporting (Question 22).

ESMA is of the view that the SFTR also covers unsecured securities lending transactions. ESMA proposes to identify unsecured transactions using a flag in the collateral data report[13](#) and requests feedback on this approach (Question 23).

#### **Section 4.3.1 - Structure of SFT reports**

Following positive feedback, ESMA plans to adopt the approach it proposed in the DP, under which SFTR data elements are grouped into the following two categories:

- Data related to the parties involved in the SFT, such as counterparties, beneficiary, broker, clearing member, entity responsible for reporting and entity submitting the report; and
- Trade-related information on the economic terms of the loan and of the collateral.

To reflect other comments on the DP, ESMA plans to require data related to the reuse of collateral to be reported separately, and then linked to the rest of the data for an SFT through the use of ISINs and UTIs (see collateral reporting sub-section below for further detail). ESMA also notes that it is considering how tri-party agent information should be reported. The Annex to this memo contains a list of the relevant data elements for securities lending and repo transactions. ESMA has requested feedback on its proposed approach (Questions 33-38).

#### **Section 4.3.2 - Branches**

ESMA has produced a list of scenarios in which at least one counterparty to an SFT is a

branch.<sup>14</sup> For each scenario, ESMA indicates whether the SFT is reportable and, if so, the counterparty, or counterparties, with the reporting obligation(s). The scenarios include third country counterparties and branches. A simplified extract of scenarios that may be of relevance to regulated funds and asset managers is in the table below. For comparison purposes, the table also contains scenarios not involving branches.

ESMA CP #	Reporting Counterparty	Other Counterparty	SFTR Reportable?	HQ Branch Reporting Obligation?	HQ Branch Reporting Obligation?	SFT6 EU	Yes EU	Yes EU	Yes SFT8 EU
- Yes EU	Non-EU	Yes	Yes	SFT12 EU	Non-EU	Yes	EU	- Yes	Yes SFT14 EU
Non-EU	Yes	Yes	SFT15 EU	- Yes	Non-EU	- No	Yes	SFT16 EU	- Yes
Non-EU	Yes	Non-EU	Non-EU	No	Yes	SFT17 EU	- Yes	Non-EU	EU
Yes	Yes	SFT21 EU	Non-EU	Yes	Non-EU	- No	Yes	SFT22 EU	Non-EU
Yes	Non-EU	Non-EU	No	Yes	SFT23 EU	Non-EU	Yes	Non-EU	EU
No	Yes	SFT24 Non-EU	- No	Non-EU	- No	No	No	SFT25 Non-EU	EU
Yes	Non-EU	- No	Yes	SFT26 Non-EU	Non-EU	No	Non-EU	- No	No
No	No	SFT27 Non-EU	No	Non-EU	EU	Yes	Yes	SFT28 Non-EU	EU
Yes	Yes	SFT29 Non-EU	Non-EU	EU	Yes	Non-EU	EU	Yes	Yes
Yes	Yes	SFT30 Non-EU	- No	Non-EU	Non-EU	No	No	SFT31 Non-EU	EU
Yes	Non-EU	Non-EU	No	Yes	SFT32 Non-EU	EU	No	Non-EU	Non-EU
No	No								

### Section 4.3.3 - Beneficiary

ESMA identifies the following two scenarios where the beneficiary of an SFT can be different from the counterparty:

- SFTs concluded by sub-funds; and
- SFTs concluded on behalf of another entity.

ESMA proposes to require the LEI of the beneficiary of the SFT to be reported. For umbrella structures, ESMA proposes the following approach:

Level of SFT	SFT Report	Counterparty <sup>15</sup>	Beneficiary <sup>16</sup>	Umbrella LEI of umbrella	LEI of sub-fund(s)	Sub-fund LEI of sub-fund	N/A

ESMA requests feedback on its approach to beneficiary reporting (Question 40).

### Section 4.3.4 - Linking of SFTs

ESMA proposes two alternative approaches to enable the reporting of data elements for SFTs to be linked together, particularly those subject to clearing. One approach uses a UTI that is generated on the trade date of the SFT and is used regardless of whether the SFT is cleared on the same day that it is traded. An alternative approach uses the UTI generated on the trade date of the SFT as a common identifier in all subsequent SFT reports that are submitted by counterparties, CPPs or clearing members to the trade. ESMA has requested feedback on these alternative approaches (Question 43).

### Section 4.3.5 - UTI generation

ESMA has proposed an approach to UTI generation that is consistent with the revisions to EMIR. Under the proposed approach, in the absence of a global UTI that is endorsed by ESMA, an asset manager or regulated fund concluding an SFT may agree the approach to generating a UTI with the other SFT counterparty, or a UTI may be generated if the SFT is centrally cleared, executed or confirmed. In other cases, ESMA concludes that the counterparty defined as the collateral taker shall generate the UTI. ESMA has requested feedback on its approach (Question 44).

## Section 4.3.6 - Collateral Reporting

ESMA has proposed a framework for daily collateral reporting, under which the end of day collateral position and any changes to collateral market value, are reported for SFTs. ESMA has stated that collateral substitution(s) do not need to be reported during the day but that changes to collateral market value must be reported, even if the collateral composition does not change. ESMA has proposed draft terminology for collateral reporting, including the terms “collateral pool”, “collateral basket” and “collateral portfolio”, on which it is seeking feedback (Question 46). ESMA has proposed two frameworks for collateral allocation, one based on trade level reporting and the other based on net exposure reporting (i.e. position level), as described below.

### Trade-based allocation

ESMA believes that SFT counterparties will report trade-based allocation for: (i) repo trades that are not collateralised by a collateral basket; and (ii) securities lending trades collateralised by cash. In both cases, ESMA understands that SFT counterparties will have agreed collateral either: (i) at the time the SFT is concluded; or (ii) by the end of the day. For repo trades against a collateral basket, ESMA proposes that the SFT counterparties will report the collateral allocation as soon as it is known, but at the latest by value date + 1. ESMA has requested feedback on its proposed approach (Questions 47-49).

### Net exposure allocation

ESMA has proposed an approach to collateral reporting for non CCP-cleared trades, based on the net exposure between two counterparties, for the following SFT scenarios:

- One SFT collateralised by multiple assets;
- Multiple SFTs collateralised by one asset;
- Multiple SFTs collateralised by multiple assets.

Under this approach, SFT counterparties can report collateral data separately from loan data, when reporting collateral for net exposures. A mechanism to link initial reports and subsequent collateral update reports using LEIs and master agreement types has been proposed by ESMA (discussed in more detail below). ESMA has requested feedback on its approach (Questions 50 and 51).

ESMA’s understanding of the relationship between SFTs and collateral, and the availability of information on collateral allocation, is summarised below.[17](#)

SFT Type	Collateral Basket	SFT/Collateral Relationship	Collateral information	Repo
No				
<ul style="list-style-type: none"><li>• One-to-one</li><li>• One-to-many</li><li>• Known at end-trade date for bilateral without tri-party collateral management;</li><li>• ISIN level allocation known by end-value date+1</li></ul>				
Yes				
<ul style="list-style-type: none"><li>• One-to-one</li><li>• One-to-many</li></ul>				

- Collateral pool or basket known by end-trade date;
- ISIN level allocation known by end-value date.

#### Securities Lending No

- One-to-one
- One-to-many
- Many-to-one
- Many-to-Many
- ISIN level allocation known by end-value date.

#### Yes

- Collateral pool or basket known by end-trade date;
- ISIN level allocation known by end-value date.

Under its approach, ESMA is seeking feedback on whether there are scenarios in which cash collateral would be reportable for tri-party repos, if non-cash collateral was temporarily unavailable (Question 53).

ESMA has proposed an approach to collateral reporting in instances where the collateral allocation is not known by the reporting deadline for the SFT. Under this approach, ESMA proposes that SFT counterparties will report collateral information at the earliest opportunity, but no later than one working day following the value date of the SFT. The report of the specific collateral allocation, using the “modification of business terms” action type, would be linked to the initial SFT report in the following manner:

- For trade-based reporting, through the UTI;
- For net-exposure based reporting, through the LEIs of the SFT counterparties and the master agreement type agreed between the counterparties.

ESMA has requested feedback on its proposed approach (Questions 54-57).

### **Other aspects of the Consultation Paper**

ESMA has proposed a framework for the weekly publication of aggregate SFTR data by TRs, based on the following criteria:

- The location of the counterparty (EEA vs Non-EEA);
- The location of the other counterparty;
- The type of SFT (repo, securities lending etc.);
- The reconciliation status of the SFT;
- The type of venue of execution (on or off exchange);
- Whether the SFT was cleared or not;
- How the collateral was transferred (bilaterally, tri-party, etc.).

ESMA has proposed that aggregate data published by TRs would show aggregations of:

- i. the principal of repurchase agreements or buy/sell-backs, the aggregate quantity of securities or commodities lent or borrowed and the amount of margin loans;
- ii. the number of SFTs; and
- iii. the market value of collateral for the SFTs reported in the week and those that are outstanding as of the last Friday.

ESMA acknowledges the need to avoid compromising counterparty confidentiality in requiring the publication of aggregate data. ESMA has requested feedback on its proposed approach (Question 87-89).

## **Cost Benefit Analysis**

ESMA has appointed Europe Economics to conduct cost/benefit analysis of the draft technical standards in the CP. The scope of Europe Economics' work includes the following aspects of the SFTR:

- Transparency and availability of data held in a trade repository;
- Establishing an ISO20022 technical format for reporting to trade repositories;
- Registration of trade repositories.

Europe Economics has approached ICI Global to seek member input, including through interviews, in parallel with ESMA's consultation. We are seeking: (i) input from members regarding the details and benefits of certain requirements; and (ii) expressions of interest from members to participate in bilateral interviews with Europe Economics (see the start of this memo for contact information).

## **ESMA Report on SFTs and leverage in the EU**

As required by the SFTR,[18](#) ESMA has published a report,[19](#) in conjunction with the European Banking Authority (EBA) and European Systemic Risk Board (ESRB),[20](#) assessing: (i) whether the use of SFTs leads to the build-up of significant leverage that is not addressed by existing regulation; (ii) where appropriate, the options available to tackle such a build-up; and (iii) whether further measures to reduce the pro-cyclicality of that leverage are required. ESMA has also considered the quantitative impact of the Financial Stability Boards (FSB) recommendations concerning mandatory haircuts on non-centrally cleared SFTs.[21](#)

## **Updated ESMA UCITS Q&A**

ESMA has indicated that it does not intend to draft technical standards to supplement the SFTR's investor disclosure obligations,[22](#) which apply from 13 January 2017. ESMA included a question on the commencement of investor disclosure obligations under the SFTR for UCITS in its Q&A, indicating that information required by the SFTR should be included in the next annual or half-yearly report of a UCITS to be published after 13 January 2017.[23](#)

## **Next Steps**

ESMA has requested comments on the CP by 30 November 2016 deadline. ESMA plans to submit its draft RTS and ITS to the European Commission for endorsement by the end of Q1/beginning of Q2, 2017. The reporting obligation will apply to SFT counterparties between 12-21 months after the date of entry into force of the delegated acts adopted by the European Commission, based on the schedule and criteria in the section below.

## **Compliance dates for SFTR reporting**

Compliance dates for SFTR reporting are staggered for different types of SFT counterparty, as shown in the table below. In certain scenarios during the phase-in period, regulated funds may find that the counterparty they are concluding an SFT with has an obligation to report the details of a SFT before the fund is required to do so.



Type of entity Date reporting obligations are applicable after entry into force of delegated act<sup>24</sup> MIFID “Investment firms”, CRD “Credit Institutions” and similar third country entities requiring authorisation or registration<sup>25</sup> 12 months CCPs, CSDs and similar third country entities and similar third country entities requiring authorisation or registration. 15 months Managers of UCITS and AIF, and other financial counterparties including insurance undertakings and IORPs 18 months “Non-financial counterparties” 21 months Upon the relevant compliance date, UCITS and AIF managers concluding an SFT for a regulated fund under their management will be required to report:

- SFTs concluded more than 18 months before the date of entry into force of the delegated acts under the Regulation specifying the reporting obligations, if such transactions either have open maturity or at least 180 days remaining until maturity; and
- All SFT concluded on, or after that date.

## **Annex - Extract of proposed SFTR data elements for securities lending (“SL”) and repurchase (“Repo”) transactions**

### **Counterparty Data**

No Field Details to be reported Repo SL 1 Reporting timestamp Date and time of submission of the report to the trade repository. Y Y 2 Report submitting entity Unique code identifying the entity which submits the report. In the case where submission of the report has been delegated to a third party or to the other counterparty, a unique code identifying that entity. Y Y 3 Reporting counterparty Unique code identifying the reporting counterparty Y Y 4 Nature of the reporting counterparty Indicates if the reporting counterparty is a financial or non-financial counterparty Y Y 5 Sector of the reporting counterparty counterparty Nature of the reporting counterparty's company activities. Y Y 6 Investment fund classification In the case where the reporting counterparty is a UCITS or AIF, an indication whether it is an ETF or a MMF. Y Y 7 Country of the branch of the reporting counterparty The code of country where the branch through which the SFT was concluded is located. Y Y 8 Country of the branch of the other counterparty The code of country where the branch through which the SFT was concluded is located. Y Y 9 Counterparty side Identifies whether the reporting counterparty is a collateral giver or a collateral taker in accordance with the Article 4 of the ITS Y Y 10 Entity responsible for the report In the case where a financial counterparty is responsible for reporting on behalf of both counterparties in accordance with Article 4(3) of SFTR, the unique code identifying that counterparty. In the case where a management company is responsible for reporting on behalf of a UCITS in accordance with Article 4(3) of SFTR, the unique code identifying that management company. In the case where an AIFM is responsible for reporting on behalf of an AIF in accordance with Article 4(3) of SFTR, the unique code identifying that AIFM. Y Y 11 Other counterparty Unique code identifying the entity with which the reporting counterparty concluded the SFT Y Y 12 Beneficiary If the beneficiary of the contract is not a counterparty to this contract, the reporting counterparty has to identify this beneficiary by a unique code or, in case of a private individual, by a client code used in a consistent manner as assigned by the legal entity used by the private individual. Y Y 13 Tri-party agent identifier Unique code identifying the third party that administers the SFT. When no tri-party agent is used, this information shall not be provided. Y Y 14 Broker The unique code of the entity that acts as intermediary for the reporting counterparty without becoming a counterparty to the SFT itself. Y Y 15 Clearing member In the case where the trade is cleared, the responsible clearing member shall be identified in this field by a unique code Y Y 16 CSD participant or indirect participant The unique code of the

- CSD participant or indirect participant that settles on behalf of the deliverer; or
- CSD participant or indirect participant that settles on behalf of the receiver when the reporting;

In the case where both CSD participant and indirect participant are involved in the transaction, the indirect participant shall be identified in this field.

This field is not applicable for commodities. Y Y 17 Agent lender The unique code of the agent lender involved in the securities lending transaction N Y

## **Loan Data**

No Field Details to be reported Repo SL 1 Unique Transaction Identifier (UTI) The global unique reference assigned to the SFT. In the case where multiple transactions are collateralised with a specific collateral, this field should be repeatable for the action type "Collateral update" Y Y 2 Report tracking number In the case of transactions resulting from clearing, UTI of original bilateral transaction. Where an SFT was executed on a trading venue and cleared on the same day, a number generated by the trading venue and unique to that execution. Y Y 3 Reporting business day Business day for which the report was submitted to the trade repository Y Y 4 Type of SFT Specifies the type of SFT transaction as defined under Article 3(7)-3(10) of SFTR Y Y 5 Cleared Indicates, whether central clearing has taken place. Y Y 6 Clearing timestamp Time and date when clearing took place. Y Y 7 CCP In the case of a contract that has been cleared, the unique code for the CCP that has cleared the contract Y Y 8 Trading venue The venue of execution shall be identified by a unique code for this venue.

Where a transaction was concluded OTC and the respective instrument is admitted to trading but traded OTC, MIC code 'XOFF' shall be used.

Where a transaction was concluded OTC and the respective instrument is not admitted to trading and traded OTC, MIC code 'XXXX' shall be used. Y Y 9 Master agreement type Reference to master agreement under which the counterparties concluded a documented SFT. Y Y 10 Other master agreement type Name of the master agreement type in the case it is not specified in the Field 19. Y Y 11 Master agreement version Reference to the year of the master agreement version used for the reported trade, if applicable (e.g. 1992, 2002, etc.) Y Y 12 Execution timestamp Date and time when the SFT was executed. Y Y 13 Value date (Start date) Date on which the counterparties contractually agree the exchange of securities or commodities versus collateral for the opening leg (spot leg) of the secured financing transaction. In the case of rollover of open term repurchase transactions, this is the date on which the rollover settles, even if no exchange of cash takes place. Y Y 14 Maturity date (End date) Date on which the counterparties contractually agree the exchange of securities or commodities versus collateral for the closing leg (forward leg) of the secured financing transaction. This information shall not be reported for open term repos. Y Y 15 Termination date Termination date in the case of a full early termination of the reported SFT. Y Y 16 Minimum notice period The minimum number of business days that one of the counterparties has to inform about the termination of the transaction. Y Y 17 Earliest call-back date The earliest date that the cash lender has the right to call back a portion of the funds or to terminate the transaction. Y Y 18 General collateral Indicator Indication whether the secured financing transaction is subject to a general collateral arrangement.

- 'GENE' shall be populated for general collateral. General collateral specifies a collateral arrangement for a repurchase transaction in which the security lender may choose the security to provide as collateral with the cash provider amongst a relatively wide range of securities meeting predefined criteria.

- 'SPEC' shall be populated for specific collateral. Specific collateral specifies a collateral

arrangement for a repurchase transaction in which the buyer requests a specific security, commodity (individual ISIN) to be provided by the seller Y Y 19 DBV indicator This field specifies whether the transaction was settled using the CREST Delivery-by-Value (DBV) mechanism Y Y 20 Method used to provide collateral Indication whether the collateral is subject to a title transfer collateral arrangement, a securities interest collateral arrangement, or a securities interest with the right of use. Where more than one method was used to provide collateral, the main method should be specified in this field. Y Y 21 Open term Indication whether the transaction is open term or, i.e. has no fixed maturity date, or fixed term with a contractually agreed maturity date. 'true' shall be populated for open term transactions, and 'false' for fixed term. Y Y 22 Termination optionality Indication whether the counterparties to the transaction have agreed to an evergreen or extendable repo. Y N 23 Fixed rate In the case of repos, the annualized interest rate on the principal amount of the repurchase transaction in accordance with the day count conventions Y N 24 Day count convention The method for calculating the accrued interest on the principal amount for a fixed repo rate Y N 25 Floating rate An indication of the reference interest rate used which is reset at predetermined intervals by reference to a market reference rate, if applicable. Y N 26 Floating rate reference period - time period Time period describing reference period of the floating rate. Y N 27 Floating rate reference period - multiplier Multiplier of the time period describing reference period of the floating rate. Y N 28 Floating rate payment frequency - time period Time period describing frequency of payments for the floating rate. Y N 29 Floating rate payment frequency - multiplier Multiplier of the time period describing frequency of payments for the floating rate. Y N 30 Floating rate reset frequency - time period Time period describing frequency of the floating rate resets. Y N 31 Floating rate reset frequency - multiplier Multiplier of the time period describing frequency of the floating rate resets. Y N 32 Spread Spread for the floating rate expressed in basis point. Y N Fields 33-34 shall be populated for each floating rate adjustment 33 Adjusted rate This reporting attribute specifies the rate as determined by the rate schedule Y N 34 Rate date This reporting attribute specifies date as of which the rate is effective. Y N 35 Principal amount on value date Cash value to be settled as of the value date of the transaction. Y N 36 Principal amount on maturity date Cash value to be settled as of the maturity date of the transaction. Y N 37 Principal amount currency Currency of the principal amount Y N 38 Type of asset Indication of the type of asset subject of the SFT N Y 39 Security identifier Identifier of the security subject of the SFT. This field is not applicable for commodities N Y Where a commodity was subject of the SFT it shall be classified in fields 40-42 40 Base product The Base product as specified in the classification of commodities table. N Y 41 Sub product The Sub - Product as specified in the classification of commodities table. Field requires a Base product. N Y 42 Further sub product The Further sub product as specified in the classification of commodities table. Field requires a Sub product. N Y 43 Quantity or nominal amount Quantity or nominal amount of the security or commodity subject of the SFT. In the case of a bond a total nominal amount should be reported in this field (number of bonds multiplied by the face value). In the case of other securities or commodities, a quantity shall be specified in this field N Y 44 Unit of measure Unit of measure in which the quantity is expressed. This field is applicable to commodities. N Y 45 Currency of nominal amount In the case where nominal amount is provided, the currency of the nominal amount shall be populated in this field. N Y 46 Security or commodity price In the case of securities and commodities lending and borrowing, the price of the security or commodity used to calculate the loan value. In the case of buy-sell back, the price of the security or commodity used to calculate the trade amount for the spot leg of the buy-sell back. N Y 48 Price currency The currency in which the security or commodity price is denominated. N Y 52 Loan value This reporting attribute specifies loan value, i.e. the quantity or nominal amount multiplied by the price N Y 53 Market value Market value of the

securities or commodities on loan or borrowed N Y 54 Rebate rate Interest rate (rate agreed to be paid by the lender for the reinvestment of the cash collateral minus lending fee) paid by the lender of the security or commodity to the borrower (positive rebate rate) or by the borrower to the lender (negative rebate rate) on the balance of the provided cash collateral. N Y 55 Lending fee Fee that the borrower of the security or commodity pays to the lender. N Y 56 Type of contract Indication whether the borrower has exclusive access to borrow from the lender's securities portfolio N Y

## **Collateral Data**

No Field Details to be reported Repo SL Where specific collateral was used, the attributes listed in fields 65-82 and 84 shall be repeated for each component of collateral, if applicable 64 Uncollateralised SL flag Indicates whether the securities lending transaction is uncollateralised N Y 65 Type of collateral component Indication of the type of collateral component Y Y Where cash was used as a collateral it shall be described in fields 66-67 66 Cash collateral amount Amount of funds provided as collateral for borrowing the securities or commodities. N Y 67 Cash collateral currency Currency of the cash collateral N Y 68 Identification of a collateral component Identifier of the security used as collateral. This field is not applicable for commodities Y Y 69 Classification of a collateral component CFI code of the security used as collateral. This field is not applicable for commodities Y Y Where a commodity was used as a collateral it shall be classified in fields 70-72 70 Base product Base product as specified in the classification of commodities table. Y Y 71 Sub - product The sub - product as specified in the classification of commodities table. Field requires a Base product. Y Y 72 Further sub - product The further sub - product as specified in the classification of commodities table. Field requires a Sub product. Y Y 73 Collateral quantity or nominal amount Quantity or nominal amount of the security or commodity used as collateral

In the case of bond a total nominal amount should be reported in this field (number of bonds multiplied by the face value)

In the case of other securities or commodities, a quantity shall be specified in this field Y Y 74 Currency of collateral nominal amount In the case where collateral nominal amount is provided, the currency of the nominal amount shall be populated in this field. Y Y 75 Price currency Currency of the price of the collateral component Y Y 76 Price per unit Price of unit of collateral component, including accrued interest for interest-bearing securities, used to value the security or commodity. Y Y 77 Collateral market value Fair value of the individual collateral component expressed in price currency. Y Y 78 Haircut or margin Collateral haircut, a risk control measure applied to underlying collateral whereby the value of that underlying collateral is calculated as the market value of the assets reduced by a certain percentage. In the case of margin lending, collateral haircut or margin requirement, a risk control measure applied to the entire collateral portfolio whereby the value of that underlying collateral is calculated as the market value of the assets reduced by a certain percentage. Only actual values, as opposed to estimated or default values are to be reported for this attribute. Y Y 79 Collateral quality Code that classifies the risk of the security used as collateral Y 80 Maturity of the security Maturity of the security used as collateral. This field is not applicable for commodities Y Y 81 Jurisdiction of the issuer Jurisdiction of the issuer of the security used as collateral. In case of securities issued by a foreign subsidiary, the jurisdiction of the ultimate parent company shall be reported or, if not known, jurisdiction of the subsidiary. This field is not applicable for commodities Y Y 82 LEI of the issuer LEI of the issuer of the security used as collateral. This field is not applicable for commodities Y Y 83 Availability for collateral re-use Indication whether the buyer can re-use the collateral Y Y 84 Collateral re-use Indication whether collateral has

been re-used. Y Y Field 91 shall be populated in the case where collateral pool was used. The explicit collateral allocation for SFTs transacted against a collateral pool should be reported in fields 65-90 when available 91 Collateral basket identifier If the collateral basket can be identified with an ISIN, the ISIN of the collateral basket. If the collateral basket cannot be identified with an ISIN, this field should be populated with 'NTAV'. Y Y 92 Portfolio code If the transaction pertains to a portfolio of transactions for which margin are exchanged, this portfolio should be identified by a unique code determined by the reporting counterparty. If the portfolio of transactions includes also derivative contracts reportable under EMIR, the portfolio code should be the same as reported under EMIR. Y Y 93 Action type Whether the report contains:

- a SFT reported for the first time, in which case it will be identified as 'new';
  - a modification to the business terms of a previously reported SFT in which case it will be identified as 'Modification of business terms'. This includes an update to a previous report that is showing a position in order to reflect new trades included in that position;
  - a modification of the details of a previously reported SFT other than the business terms, in which case it will be identified as 'Other modification'
  - a cancellation of a wrongly submitted entire report in case the contract never came into existence or was not subject to SFTR reporting requirements but was reported to a trade repository by mistake, in which case, it will be identified as 'error';
  - a previously submitted report contains erroneous data fields, in which case the report correcting the erroneous data fields of the previous report shall be identified as 'correction';
  - a termination of an open term SFT or an early termination of a fixed term SFT, in which case it will be identified as 'termination /early termination';
- Y Y 94 Level Indication whether the report is done at trade or position level. Position level report can be used only as a supplement to trade level reporting to report post-trade events and only if the individual trades in fungible products have been replaced by the position. Y Y

## **Margin Data**

No Field Details to be reported Repo SL 1 Reporting timestamp Date and time of submission of the report to the trade repository. Y Y 2 Reporting business day Business day for which the report was submitted to the trade repository Y Y 3 Report submitting entity Unique code identifying the entity which submits the report. In the case where submission of the report has been delegated to a third party or to the other counterparty, a unique code identifying that entity. Y Y 4 Reporting Counterparty Unique code identifying the reporting counterparty Y Y 5 Other counterparty Unique code identifying the entity with which the reporting counterparty concluded the SFT Y Y 6 Portfolio code The portfolio of transactions for which margins are exchanged should be identified by a unique code determined by the reporting counterparty. If the portfolio of transactions includes also derivative contracts reportable under EMIR, the portfolio code should be the same as reported under EMIR. Y Y 7 Initial margin posted Value of the initial margin posted by the reporting counterparty to the other counterparty. Where initial margin is posted on a portfolio basis, this field should include the overall value of initial margin posted for the portfolio. Y Y 8 Currency of the initial margin posted Specify the currency of the initial margin posted. Y Y 9 Variation margin posted Value of the variation margin posted, including cash settled, by the reporting counterparty to the other counterparty. Where variation margin is posted on a portfolio basis, this field should include the overall value of variation margin posted for the portfolio. Y Y 10 Currency of the variation margins posted Specify the currency of variation margin posted. Y Y 11 Initial margin received Value of the initial margin received by the reporting counterparty from the other counterparty. Where initial margin is received on a portfolio basis, this field should include the overall value of initial margin received for the portfolio. Y

Y Y 12 Currency of the initial margin received Specify the currency of the initial margin received. Y Y 13 Variation margin received Value of the variation margin received, including cash settled, by the reporting counterparty from the other counterparty. Where variation margin is received on a portfolio basis, this field should include the overall value of variation margin received for the portfolio. Y Y 14 Currency of the variation margins received Specify the currency of the variation margin received. Y Y 15 Excess collateral posted Value of collateral posted in excess of the required collateral. Y Y 16 Currency of the excess collateral posted Specify the currency of the excess collateral posted. Y Y 17 Excess collateral received Value of collateral received in excess of the required. Collateral Y Y 18 Currency of the excess collateral received Specify the currency of the excess collateral received. Y Y 19 Action type Whether the report contains:

- a new margin balance, in which case it will be identified as 'new';
- a modification of the details of the margins in which case it will be identified as 'Other modification'
- a cancellation of a wrongly submitted entire report, in which case, it will be identified as 'error';
- a previously submitted report contains erroneous data fields, in which case the report correcting the erroneous data fields of the previous report shall be identified as 'correction';

Y Y

#### **Re-use Data**

Fields 6-8 should be repeatable for each security

9 Reinvestment Rate The average interest rate received on cash collateral reinvestment by the lender for reinvestment of cash collateral N Y Fields 10-12 should be repeatable for each cash collateral component 10 Re-invested cash Determines the type of re-investment N Y 11 Re-invested cash amount Amount of the re-invested cash in a given currency N Y 12 Re-invested cash currency Currency of the re-invested cash N Y

Giles Swan  
Director of Global Funds Policy - ICI Global

#### **endnotes**

1 ESMA Consultation Paper, Draft RTS and ITS under SFTR and amendments to related EMIR RTS, 30 September 2016, *available from* [https://www.esma.europa.eu/sites/default/files/library/2016-1409\\_sftr\\_consultation\\_paper\\_-\\_draft\\_rts\\_and\\_its\\_under\\_sftr\\_and\\_amendments\\_to\\_related\\_emir\\_rts.pdf](https://www.esma.europa.eu/sites/default/files/library/2016-1409_sftr_consultation_paper_-_draft_rts_and_its_under_sftr_and_amendments_to_related_emir_rts.pdf)

2 Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse, *available from* <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015R2365>

3 Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, *available from* <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012R0648>

4 See Memo 29788, RE: ESMA Discussion Paper on EU Securities Financing Transactions

Regulation, 24 March 2016, *available from*  
<https://www.iciglobal.org/iciglobal/pubs/memos/memo29788>

5 Responses are due via an online reply form *available at*  
[https://www.esma.europa.eu/sites/default/files/library/2016-1409\\_reply\\_form\\_for\\_cp\\_on\\_draft\\_rts\\_and\\_its\\_under\\_sftr\\_and\\_amendments\\_to\\_related\\_emir\\_rts.docx](https://www.esma.europa.eu/sites/default/files/library/2016-1409_reply_form_for_cp_on_draft_rts_and_its_under_sftr_and_amendments_to_related_emir_rts.docx)

6  
[http://www.europe-economics.com/attachments/esma\\_cba\\_letter\\_for\\_europe\\_economics\\_-\\_sft\\_regulation\\_1473255780.pdf](http://www.europe-economics.com/attachments/esma_cba_letter_for_europe_economics_-_sft_regulation_1473255780.pdf)

7 As discussed in section 5 and 6 of the CP, this data is accessible by regulators and subject to aggregate publication by TRs.

8 See Memo 29210, Re: EU Securities Financing Transactions Regulation, dated 31 July 2015, *available from*  
<https://www.iciglobal.org/portal/site/ICI/menuitem.9ad35c6866c5fcca09ce3110b52001ca/?vgnextoid=e77ace8de34ee410VgnVCM100000650210acRCD&vgnextchannel=304db7b54e26b310VgnVCM1000005a0210acRCD&vgnextfmt=global>

9 For reporting purposes, this will be shown in the proposed Field 5 “Sector of the reporting counterparty” in the Counterparty Data table.

10 For reporting purposes, this will be shown in the proposed Field 6 “Investment Fund Classification” in the Counterparty Data table.

11 Under the European System of Accounts 2010, investment funds shares or units are classified based on various structural criteria and then divided into Money Market Funds and non-Money Market Funds, see paragraph 5.160-5.163, p144, European System of Accounts 2010, *available from*  
<http://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF/44cd9d01-bc64-40e5-bd40-d17df0c69334>

12 Field 53, Loan and Collateral data table

13 Field 64, Loan and Collateral data table

14 See Table 3 on page 68 and 69 of the CP.

15 Field 3, Counterparty Data table

16 Field 12, Counterparty Data table

17 Table 8, p88, ESMA CP provides this information in more detail

18 Article 29(3), SFTR

19 Report on securities financing transactions and leverage in the EU, Report prepared under the mandate in Article 29(3) SFTR, 4 October 2016, *available from*  
[https://www.esma.europa.eu/sites/default/files/library/2016-1415\\_-\\_report\\_on\\_sfts\\_procyclicality\\_and\\_leverage.pdf](https://www.esma.europa.eu/sites/default/files/library/2016-1415_-_report_on_sfts_procyclicality_and_leverage.pdf)

20 The ESRB provided an opinion to ESMA on securities financing transactions and

leverage, to inform ESMA's report. The ESRB's opinion is available at [http://www.esrb.europa.eu/pub/pdf/other/20161004\\_esrbopinion.en.pdf?eb4c21d49897bfc6f7036b502eb631c2](http://www.esrb.europa.eu/pub/pdf/other/20161004_esrbopinion.en.pdf?eb4c21d49897bfc6f7036b502eb631c2)

[21](#) Transforming Shadow Banking into Resilient Market-based Finance: Regulatory framework for haircuts on non-centrally cleared securities financing transactions, 12 November 2015, *available from* [http://www.fsb.org/wp-content/uploads/SFT\\_haircuts\\_framework.pdf](http://www.fsb.org/wp-content/uploads/SFT_haircuts_framework.pdf)

[22](#) Article 13 and Article 14 of the SFTR contain investor disclosure requirements in periodic report and pre-contractual documents respectively.

[23](#) Question 1a, Section VII, Questions and Answers, Application of the UCITS Directive, ESMA, 12 October 2016, *available from* [https://www.esma.europa.eu/sites/default/files/library/2016-1455\\_qa\\_on\\_application\\_of\\_the\\_ucits\\_directive.pdf](https://www.esma.europa.eu/sites/default/files/library/2016-1455_qa_on_application_of_the_ucits_directive.pdf)

[24](#) Article 33, SFTR

[25](#) Third country entities which would require authorisation or registration in accordance with the legislation mentioned in the relevant sub-section of Article 3(3)(i) if they were established in the Union