

MEMO# 30440

December 1, 2016

ICI Global Response to ESMA Consultation Paper on the Securities Financing Transactions Regulation

[30440] December 1, 2016 TO: Derivatives Markets Advisory Committee
Equity Markets Advisory Committee
ICI Global Capital Markets Union Committee
ICI Global Exchange Traded Funds Committee
ICI Global Regulated Funds Committee
ICI Global Trading & Markets Committee
International Committee
International Operations Advisory Committee RE: ICI Global Response to ESMA Consultation
Paper on the Securities Financing Transactions Regulation

As previously advised[\[1\]](#), on 30 September 2016 the European Securities and Markets Authority (ESMA) published a consultation paper (CP)[\[2\]](#) containing draft regulated technical standards (RTS) and implementing technical standards (ITS) under the Securities Financing Transactions Regulation (SFTR)[\[3\]](#) and amendments to related RTS under EMIR.

ICI Global's response to the CP is attached. The response takes account of member comments on the draft response.[\[4\]](#)

ICI Global responded to 15 questions raised by ESMA in the CP and made the following general comments:

- We support ESMA's approach to permit an SFT counterparty to delegate submission of SFT reports to a third-party, including the other counterparty;
- We recommend ESMA allow for additional time for counterparties to submit and reconcile reports for those SFTs concluded between an EU and a non-EU counterparty to account for collateral substitution and valuation in different time zones;
- We generally support the publication of aggregated SFT data – to the extent that such disclosure advances the goal of mitigating systemic risk and informs regulatory policy initiatives – but we recommend examining other SFT data initiatives to identify opportunities for convergence (e.g. the Federal Reserve Bank of New York Tri-party statistical data); and
- We encourage ESMA to continue to identify opportunities to rationalise SFTR reporting requirements (e.g. changes arising from the EMIR Review) – to avoid duplication with

other regulatory reporting regimes and ensure consistency in reporting (e.g. AIFM Directive).

ICI Global responded to questions in the following sections of the CP:

- Reporting Logic (Questions 4, 5, 11, 12 and 13);
- Trade Scenarios (Question 16 and 18);
- Content and Structure of the SFT report (Question 38);
- Beneficiary (Question 40);
- Collateral Reporting (Question 47);
- Trade Repository Reconciliation (Questions 77, 80, 85, 87 and 88);

Impact Analysis

As noted previously, ESMA has appointed Europe Economic Research Limited (“Europe Economics”)[5] – 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 if you are interested in contributing to this work, including participating in interviews with Europe Economics, or if you require any further information.

Next Steps

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 (see schedule and criteria in prior Member Memo for the full schedule of compliance dates.[6])

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Director of Global Funds Policy, ICI Global

[Attachment](#)

endnotes

[1] Memo 30337, Re: ESMA Consultation Paper on EU Securities Financing Transactions Regulation, dated 24 October 2016, available from <https://www.iciglobal.org/portal/site/ICI/menuitem.9ad35c6866c5fcca09ce3110b52001ca/?vgnextoid=ec8c9eacd59e7510VgnVCM100000650210acRCRD&vgnextchannel=304db7b54e26b310VgnVCM1000005a0210acRCRD&vgnextfmt=global>

[2] 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

[3] 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>

[4] Memo 30419, Re: Draft ICI Global Response to ESMA Consultation Paper on the Securities Financing Transactions Regulation, dated 23 November 2016, available from <https://www.iciglobal.org/portal/site/ICI/menuitem.9ad35c6866c5fcca09ce3110b52001ca/?vgnextoid=4e6819c919198510VgnVCM100000650210acRCRD&vgnextchannel=304db7b54e26b310VgnVCM1000005a0210acRCRD&vgnextfmt=global>

[5]http://www.europe-economics.com/attachments/esma_cba_letter_for_europe_economics_-_sft_regulation_1473255780.pdf

[6] Memo 30337, Re: ESMA Consultation Paper on EU Securities Financing Transactions Regulation, dated 24 October 2016, available from <https://www.iciglobal.org/portal/site/ICI/menuitem.9ad35c6866c5fcca09ce3110b52001ca/?vgnextoid=ec8c9eacd59e7510VgnVCM100000650210acRCRD&vgnextchannel=304db7b54e26b310VgnVCM1000005a0210acRCRD&vgnextfmt=global>

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