

MEMO# 28547

December 2, 2014

FSB Requests Comment on Collection of Data on Securities Lending, Repo, and Margin Lending Transactions

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 31-14
ICI GLOBAL SECURITIES LENDING & REPO TASK FORCE No. 2-14
INTERNATIONAL MEMBERS No. 44-14
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 34-14
SEC RULES MEMBERS No. 45-14 RE: FSB REQUESTS COMMENT ON COLLECTION OF DATA ON SECURITIES LENDING, REPO, AND MARGIN LENDING TRANSACTIONS

As you know, the Financial Stability Board has issued a number of consultations over the past two years addressing perceived financial stability risks in the securities lending and repo markets. The latest FSB consultation, published on November 13, relates to the regulatory reporting of data on three types of securities financing transactions: repos, securities lending, and margin lending. [\[1\]](#)

The proposal is briefly summarized below. Comments are due to the FSB on February 12, 2015.

Background

The FSB's workstream on securities lending and repos (WS5) has produced a series of reports and consultations focused on the need for enhanced transparency, additional regulation, and improvements to market structure in the securities lending and repo markets. The FSB made final policy recommendations in many facets of this work in August 2013, including a recommendation that regulators gather more data on securities financing transactions. [\[2\]](#)

ICI and ICI Global have submitted numerous comment letters on the FSB's work in this area. [\[3\]](#) We have generally supported the FSB's proposed recommendations with respect to regulatory reporting. We have cautioned the FSB, however, on certain aspects of the public disclosure of that data, and have opposed the FSB's recommendations with respect to fund disclosure documents on the principal that those recommendations have little or no nexus

to financial stability issues.

Proposed Framework for Regulatory Reporting

The proposal describes a two-tier, five stage framework for collecting and aggregating data. The first tier would take place in each jurisdiction and would encompass (1) the flow of data from reporting entities to national/regional authorities; and (2) the processing of data at the national/regional level. The second tier would encompass: (3) the transmission of aggregated data from national/regional authorities to the FSB as global aggregator; (4) the processing of data at the global level, which includes the removal of remaining (cross-border) double-counting and the production of meaningful global aggregates; and (5) the distribution of information from the FSB to the relevant authorities “and, potentially, to the general public.”

In general, the FSB proposes to allow national/regional authorities the flexibility to determine how to collect data, as long as there are consistent data elements and minimum granularity and collection frequency to produce meaningful aggregates. Pages 24 through 27 of the consultation describe this part of the framework. Importantly, the consultation recognizes that trading venues, settlement systems, CCPs, tri-party agents, and trade repositories may provide viable alternatives to collecting data directly from counterparties to a transaction.

The national/regional authorities will be asked to aggregate and classify the data they collect based on certain taxonomies and definitions, and then send the aggregates to the FSB. The FSB would act as the global aggregator of the data. Pages 28 to 31 of the consultation discuss this second tier of the framework, including discussions of legal and operational issues, data confidentiality, access to the data, and governance (e.g., the FSB’s internal rules and procedures related to this data collection).

The consultation is not entirely clear about whether and how the data would be made public. The section on data confidentiality states that “in the treatment of data and the sharing of aggregates with other reporting authorities and, potentially, the general public, the FSB would handle the reported and derived aggregates according to the following three levels of confidentiality, as specified by national/regional authorities: (i) Public data could be freely shared with other reporting authorities and with the general public; (ii) Restricted data could be shared with other relevant parties with legitimate policy needs, according to their mandate, but not disclosed to the general public; and (iii) Confidential data, where counterparties could be potentially identified (e.g. when one major market participant is operating in a jurisdiction) should not be shared at all.” The FSB notes, without further elaboration, that “some aggregate-level data could be regularly made public by the FSB.”

Data Elements

The consultation covers three types of secured financing transactions: repos, securities lending, and margin lending. The proposed data elements for repos and securities lending are described below. We assume margin lending is of less interest to asset managers.

With respect to repos, the FSB proposes to collect flow data (e.g., the number, principal amount, currency and maturity of trades whose spot leg has been settled during the reporting period) and position/stock data (e.g., the total gross amount of loans (cash leg) received for repo or provided for reverse repo, aggregated by underlying collateral types,

counterparties, etc.). Tables 2 to 4 on pages 7 to 12 of the consultation lay out the specific data elements the FSB proposes to collect on repos.

With respect to securities lending, the FSB proposes to collect data on the loans (e.g., type, market segment, counterparty, maturity, currency, fee/rebate rate, and amount) and the collateral (e.g., type, counterparty, quality, maturity, haircut, reuse/reinvestment, cash reinvestment rate, and market value). Tables 5 and 6 on pages 14 and 15 of the consultation lay out the data elements proposed for securities lending transactions.

Next Steps

Comments are due to the FSB by February 12, 2015.

By the end of 2015, the FSB expects to revise the proposed standards and processes in light of comments on the consultation and develop a timeline for the implementation of the global data collection and aggregation. The consultation suggests that the FSB might conduct a pilot exercise with a significant number of reporting jurisdictions before adopting a final template for national/regional authorities to use in their reporting of aggregates to the FSB.

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endnotes

[1] Financial Stability Board, Standards and Processes for Global Securities Financing Data Collection and Aggregation (November 13, 2014), available at <http://www.financialstabilityboard.org/wp-content/uploads/Global-SFT-Data-Standards-Consultative-Document.pdf>.

[2] See ICI [Memorandum](#) No. 27560 (September 12, 2013).

[3] See, e.g., Letter to the Secretariat of the Financial Stability Board from Karrie McMillan (November 27, 2013), available at http://www.financialstabilityboard.org/wp-content/uploads/c_131220n.pdf. An appendix to that letter contains links to prior ICI and ICI Global comment letters on this topic.

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