

SFTR Transaction reporting

Transparency of Securities Financing Market

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SFTR transaction reporting

EMIR like reporting obligations for securities financing transactions

Context & objectives

- Following the global financial crisis, the ESRB and the European Commission have explored various ways to regulate the so-called « Shadow Banking » sector.
- The EU Securities Financing Transactions Regulations (SFTR) came into effect on 12 January 2016 and aims at regulating and increasing the transparency of securities financing transactions in three ways:
 - By requiring counterparties to report SFTs to a EU approved trade repository
 - By imposing conditions on the Collateral re-use. The collateral provider has to give explicit writing consent about risks & consequences of such agreement.
 - By requiring Funds managers to inform investors of their use of SFTs and total return swap in their reports (pre-investment documentation, periodical reports)

Reuse requirements and reports transparency obligations respectively came into effect on 13 July 2016 and 13 January 2017.

- The reporting obligation follows a phased-in approach over a period between 12 to 21 months after the RTS comes into force. Consequently, the reporting obligation should start in 2018 assuming RTS will entry into force in Q4 2017.

Reporting obligation



Scope

EU legal entities

Branches of EU legal entities regardless of their location

EU branches of third country counterparties



Products

Repurchase transactions for securities, commodities and guaranteed rights; lending & borrowing transactions on securities & commodities; buy sell back & sell buy back of securities, commodities & guaranteed rights; margin lending transactions



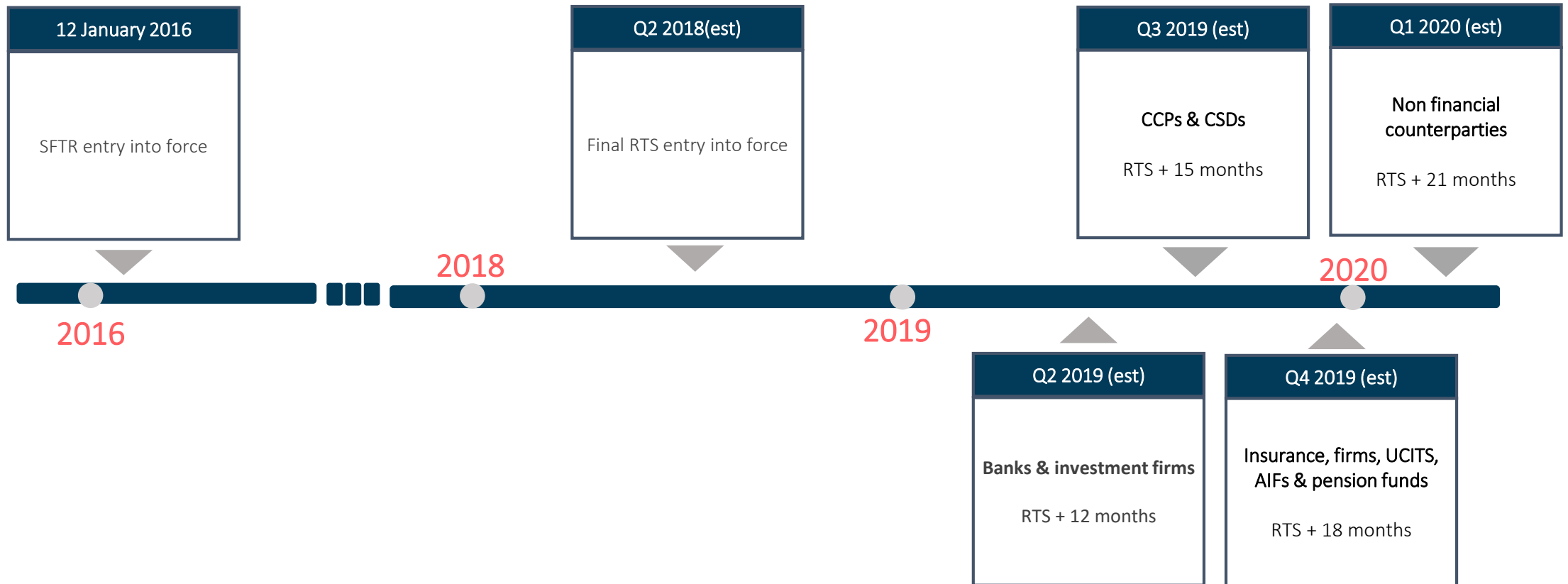
Reporting

Individual securities financing transaction have to be reported by both sides of the transactions to a EU approved trade repository the day after the transaction at the latest

Reporting timeline

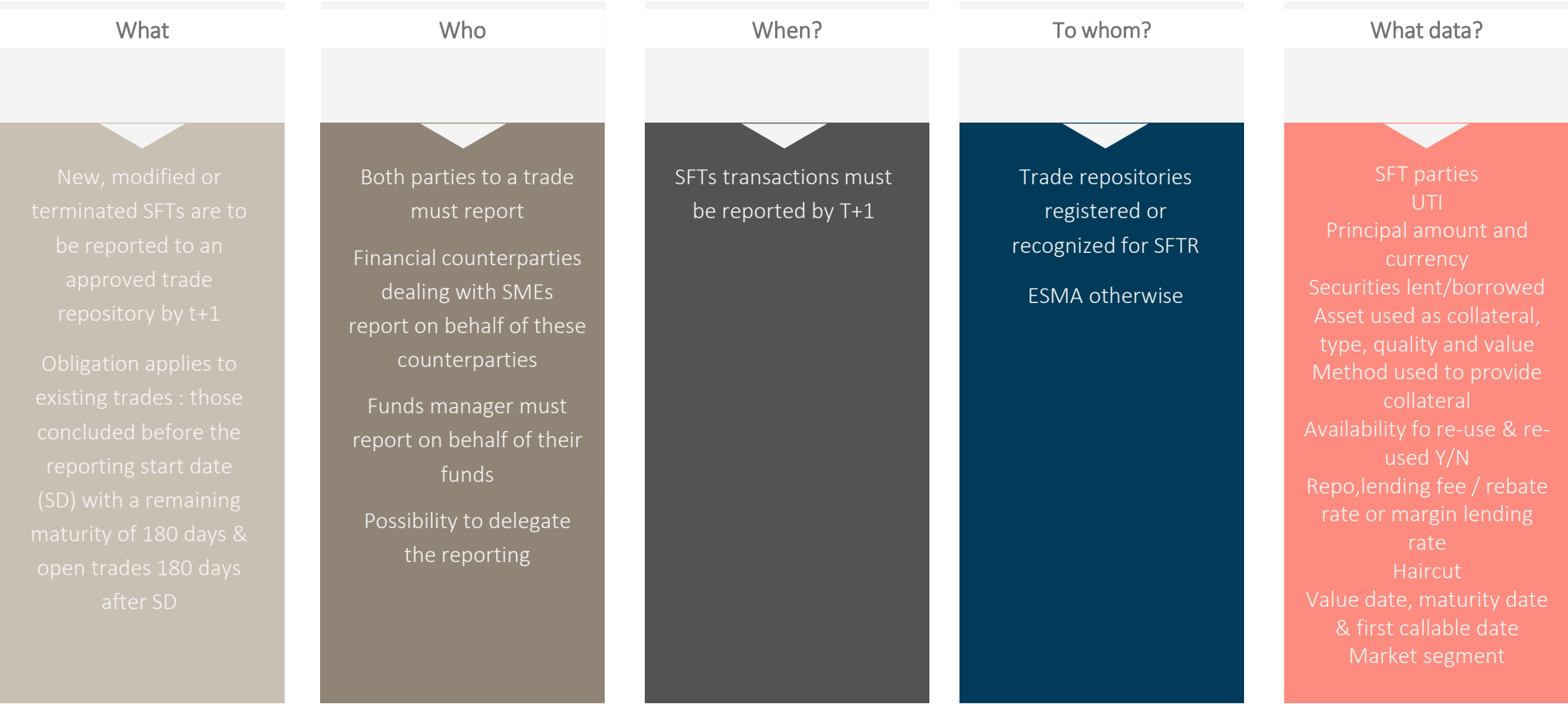
Ground work should start now to be ready for Q4 2018

The actual start date of the reporting obligations depends on RTS reporting requirements. The reporting will start 12 months (Banks & IF), 15 months (CCPs & CSDs), 18 months (Insurance & funds) and 21 months (non financial counterparties) after RTS entry into to force.



Transaction reporting requirements

SFTR transaction reporting generally follow the same structure as EMIR for derivatives



RTS draft has highlighted data & technology challenges for the reporting implementation

Gather & structure disparate trade data

- Many of the fields presented in the level 2 draft may not electronically stored and/or easily available, to name a few: collateral maturity dates, issuer credit ratings, information related to re-use eligibility and actual re-use

Capture the LEI

- If many market participants already have a LEI code, they still need to consider upgrading their systems to capture and populate the LEI codes for existing transactions.

Generate & assign UTI

- The Industry has to agree on how and when the UTI will be assigned during the transaction lifecycle. The connectivity will need to be set up to capture it in a timely manner.

Determine the reporting party

- Even though SFTR is a two sided reporting, there are many cases where only one party will report. Ex: the Belgium branch of US borrower will take charge of the report when facing a Japanese lender. This logic needs to be set up in the reporting system.

Aurexia in a nutshell

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- Established in 2006 -

A decade of global management consulting for the **Banking** and **Insurance** industries

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- SECURITIES SERVICES
- TRANSACTION BANKING
- ASSET MANAGEMENT
- PRIVATE BANKING
- RETAIL BANKING
- INSURANCE
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- RISK MANAGEMENT



- Aurexia Institute -

Frequent market studies published on:

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- Architecture benchmarks



- Digital Lab -

A pragmatic vision of disruption:

- Robotics / AI**
- Fintech** Ecosystem
- Blockchain**



- International -

5 local offices to support our clients globally:

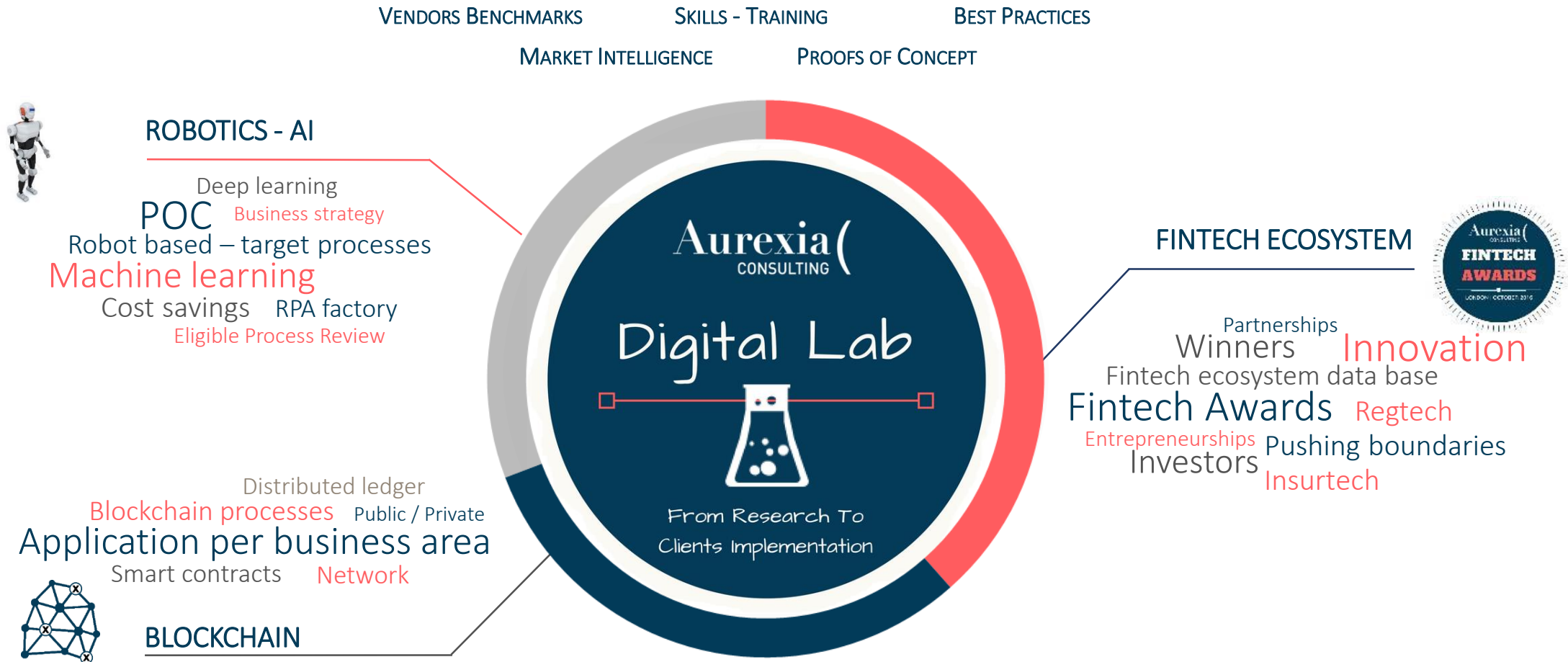
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