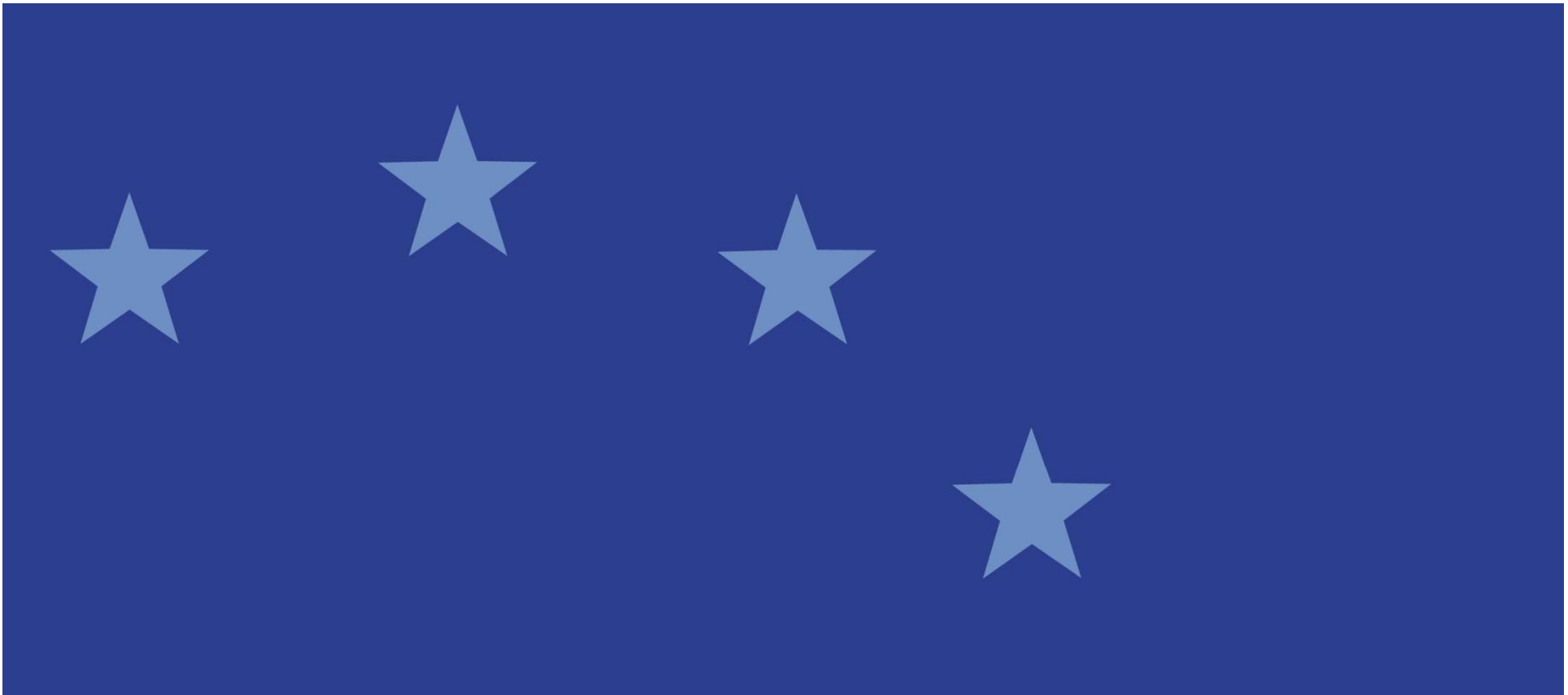# SFTR **Key aspects, timeline and challenges**
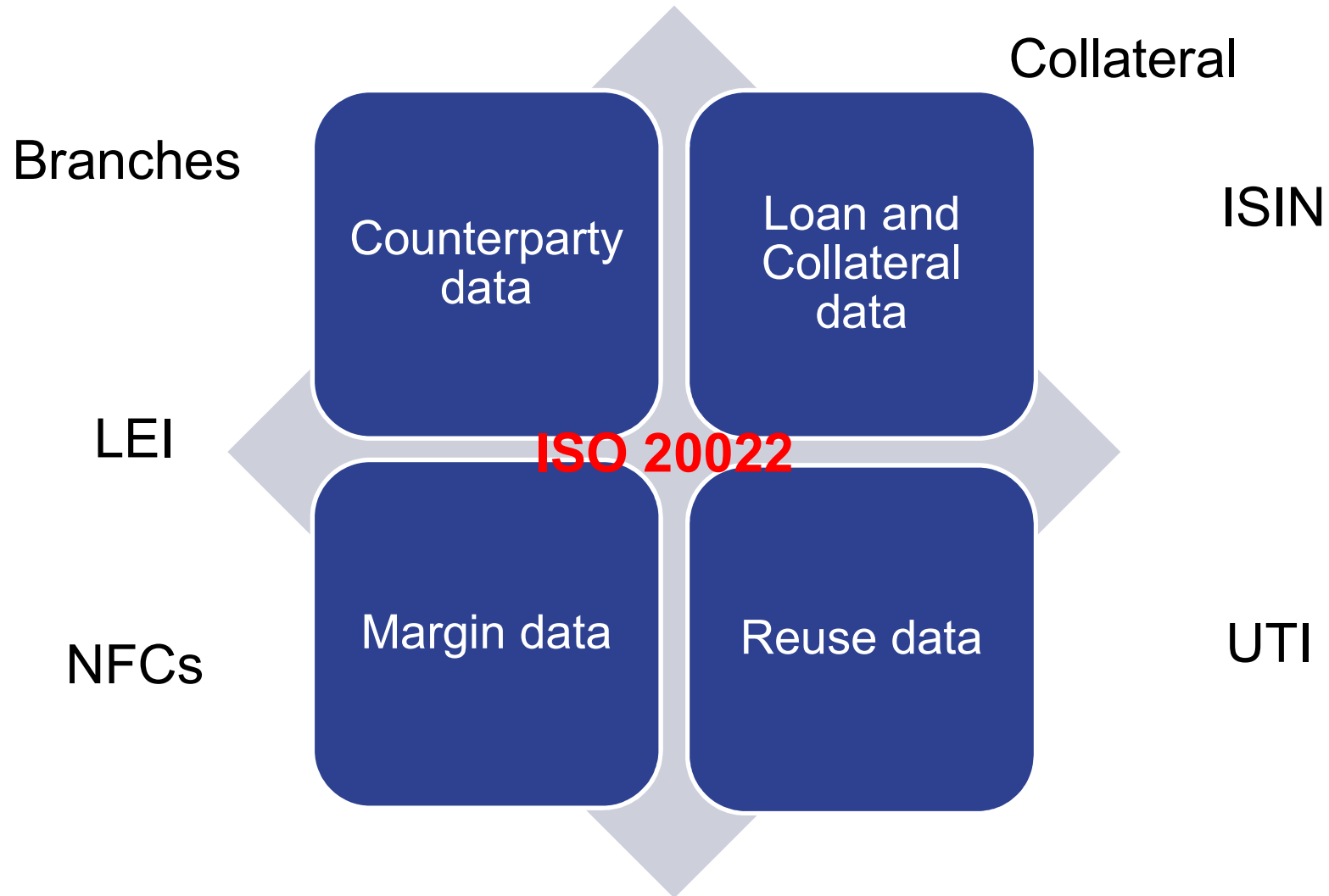
Nikolay Arnaudov, Senior Policy Officer

Background

- SFTR responds to the need to enhance the transparency of securities financing markets and thus of the financial system

- SFTs are transactions such as repo, securities lending and margin lending

- ESMA produced a total of 7 draft technical standards under SFTR and delivered them on 30 March 2017

- EC endorsed the technical standards on 13 December 2018

- They were published in the OJ on 22 March 2019 and entered into force on 11 April 2019

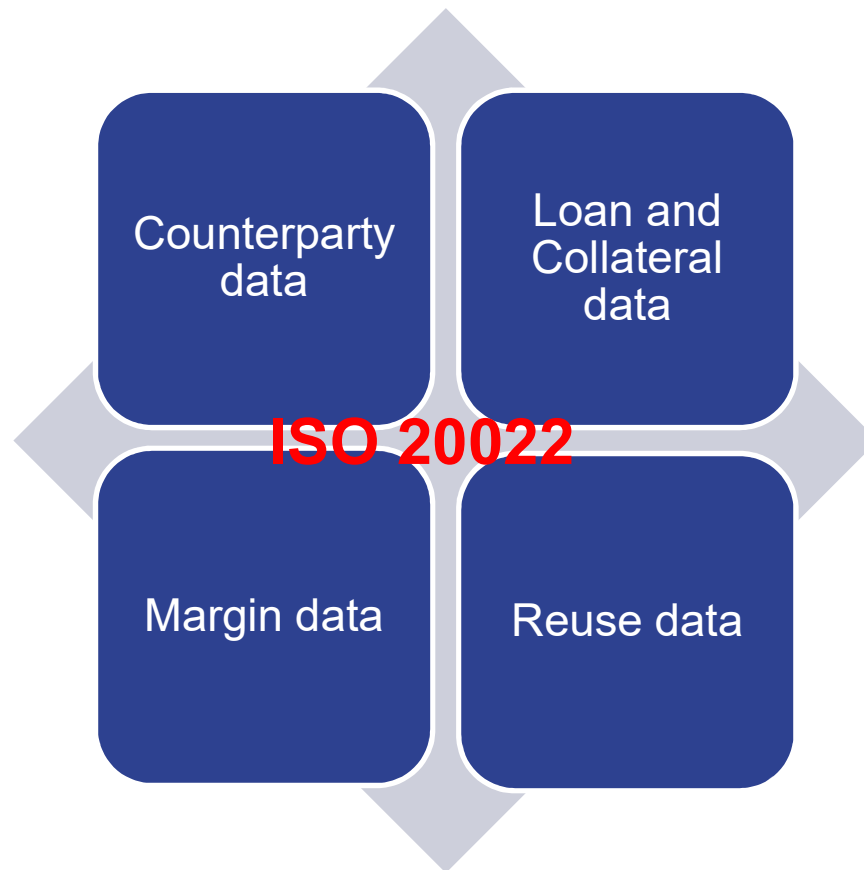- ESMA published CP on guidelines on reporting on 27 May 2019
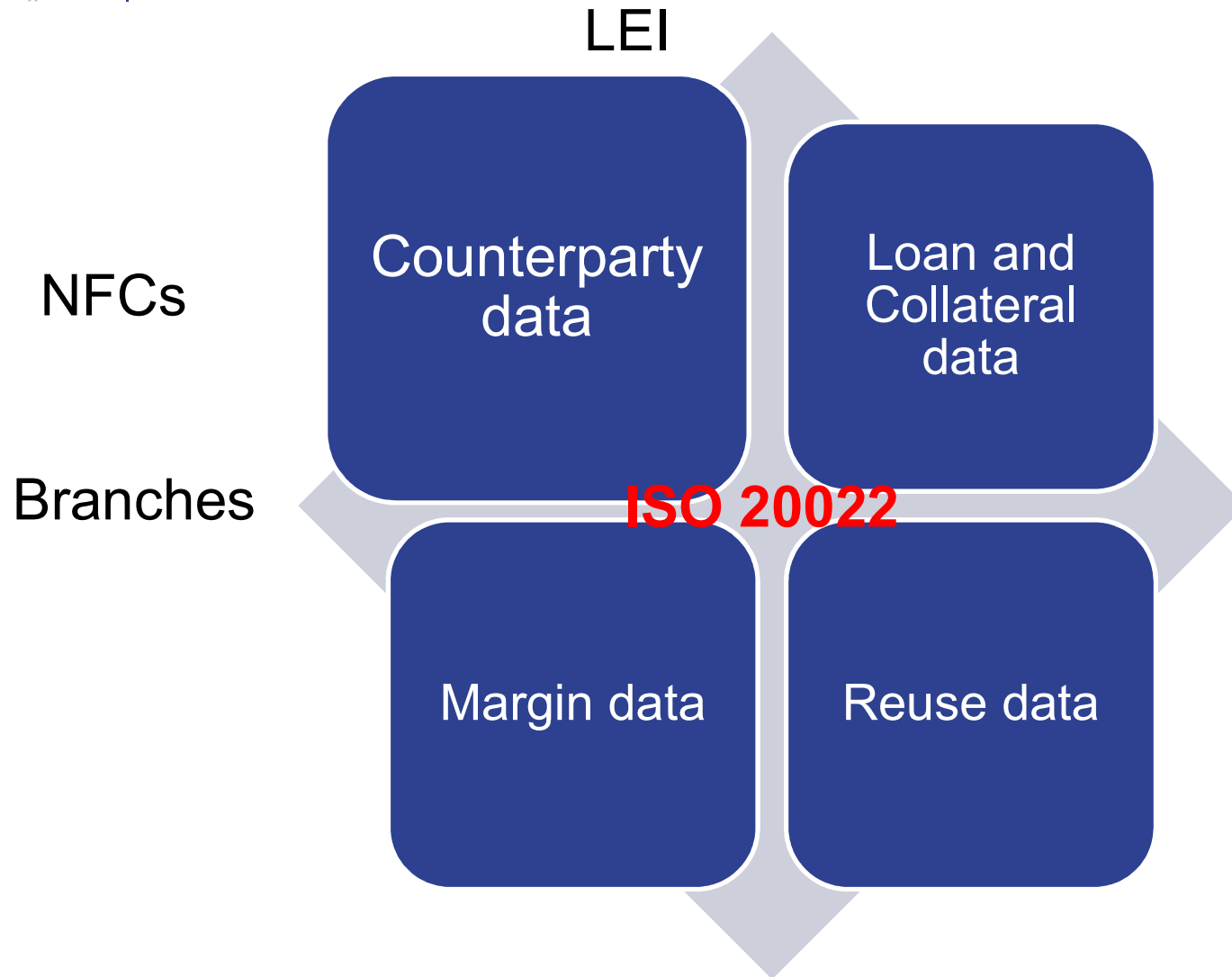
Reporting – data building blocks

Collateral

Branches

ISIN

Counterparty data	Loan and Collateral data

ISO 20022

LEI

Margin data	Reuse data

NFCs

UTI

Reporting – data building blocks

Counterparty data	Loan and Collateral data
ISO 20022	
Margin data	Reuse data

1. Number of SFTs per SFT type
2. CCP-cleared
3. Allocation of responsibility
4. Reporting by branches
5. Timeliness of reporting
6. Intragroup
7. Action types
   1. Full vs. partial
   2. Sequencing
8. Mapping business events
9. Giver/taker
10. Price/value
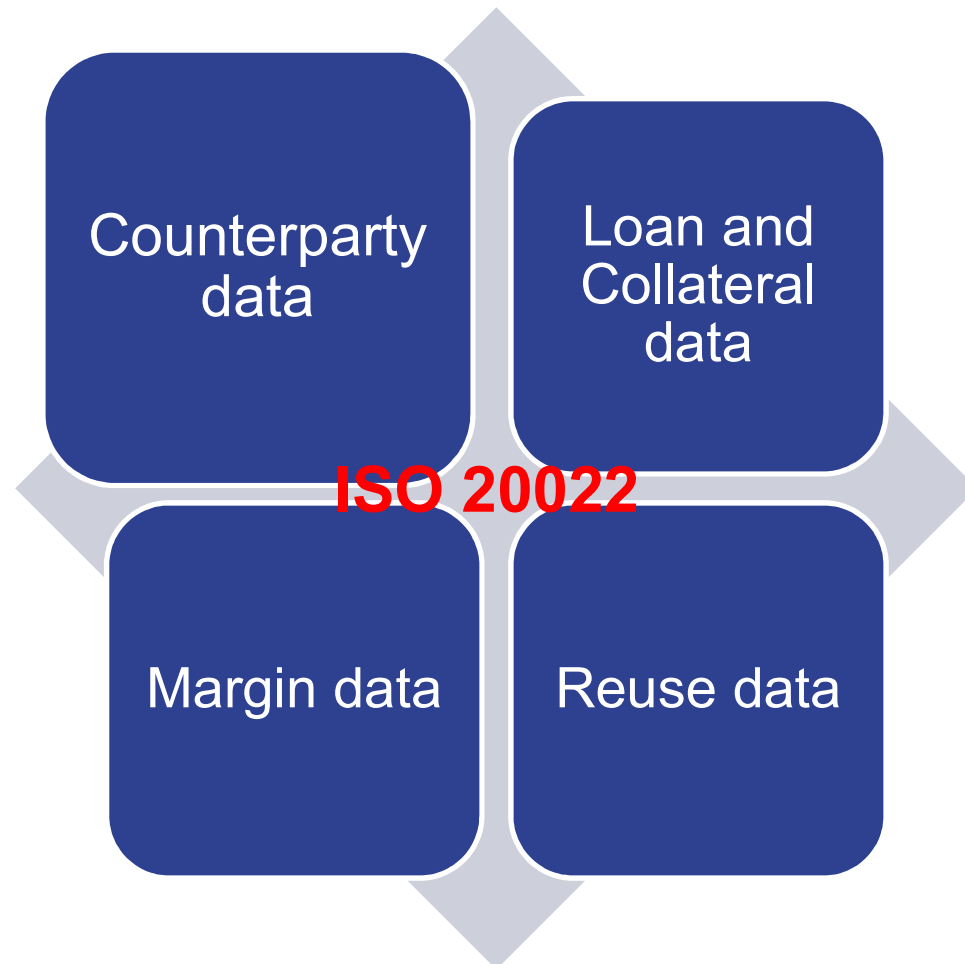11. Backloading
12. CFI/ISIN
13. Phased-in period

Reporting – data building blocks

LEI

NFCs

Branches

Counterparty data

Loan and Collateral data

ISO 20022

Margin data

Reuse data

Reporting – data building blocks

Counterparty data

Loan and Collateral data

ISO 20022

Margin data

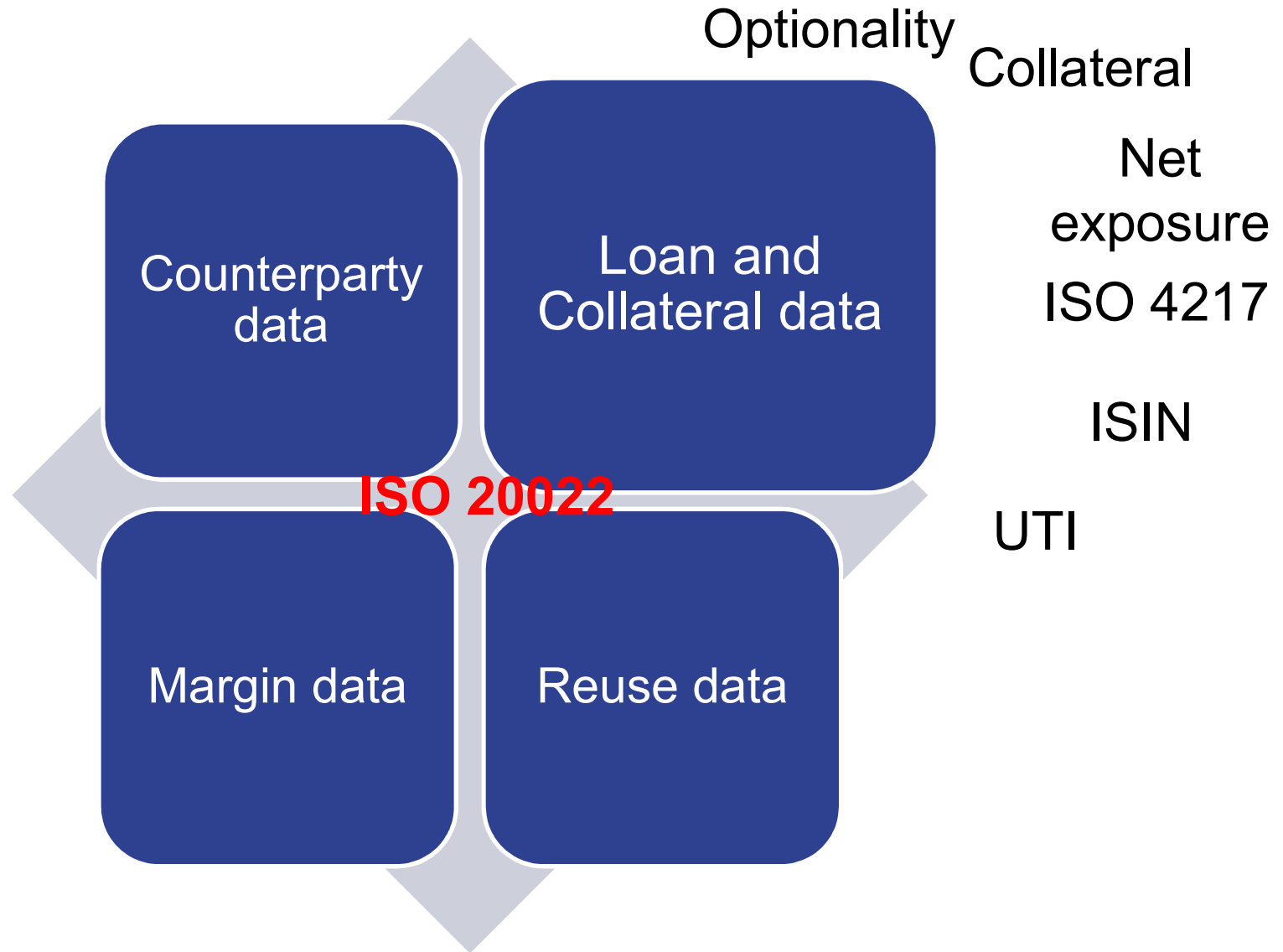Reuse data

1. Headquarters
2. Branches
3. Cleared
4. CSD participant
5. Agent lenders
6. Brokers
7. Allocation of responsibility
8. Voluntary delegation

Reporting – data building blocks

Optionality

Collateral

Net
exposure

ISO 4217

Counterparty data	Loan and Collateral data

ISO 20022

ISIN

UTI

Margin data	Reuse data

Reporting – data building blocks

1. Action types
   1. Transaction
   2. Position
2. UTI
3. Event date
4. Cleared/non-cleared
5. Trading venue
6. Master agreement
7. Forward
8. Open/fixed and optionality
9. Fixed floating rate
10. Principal amounts
11. SLB
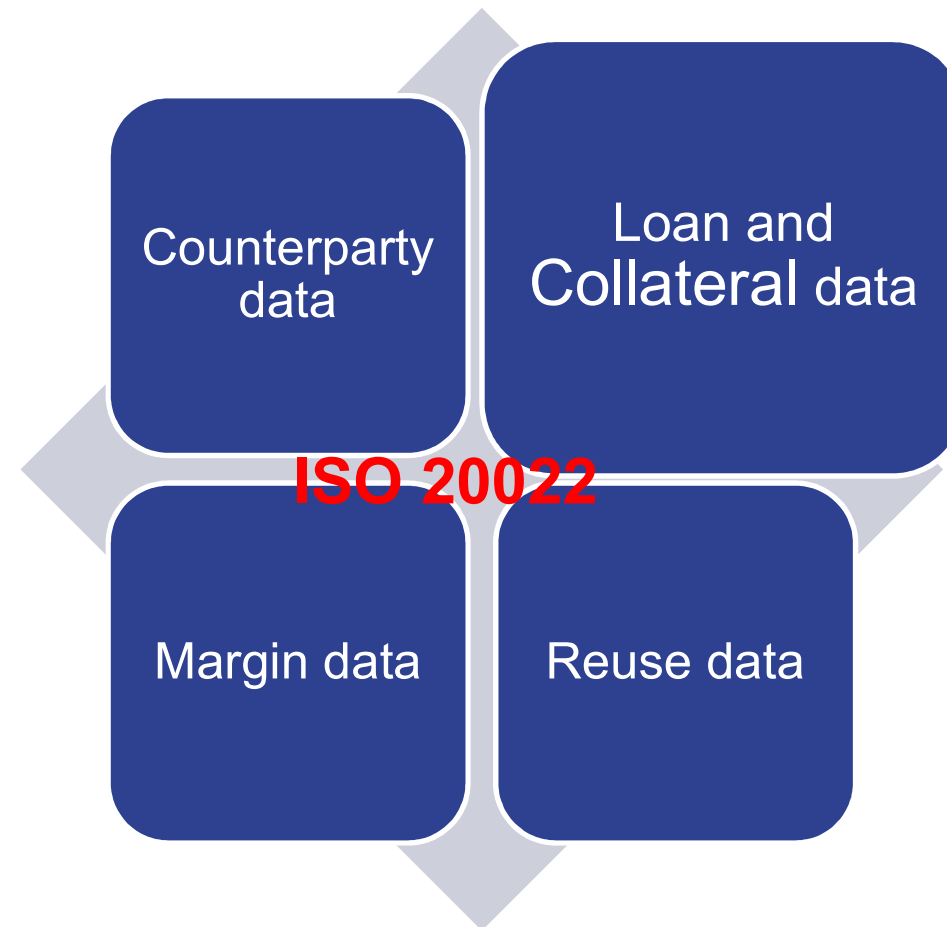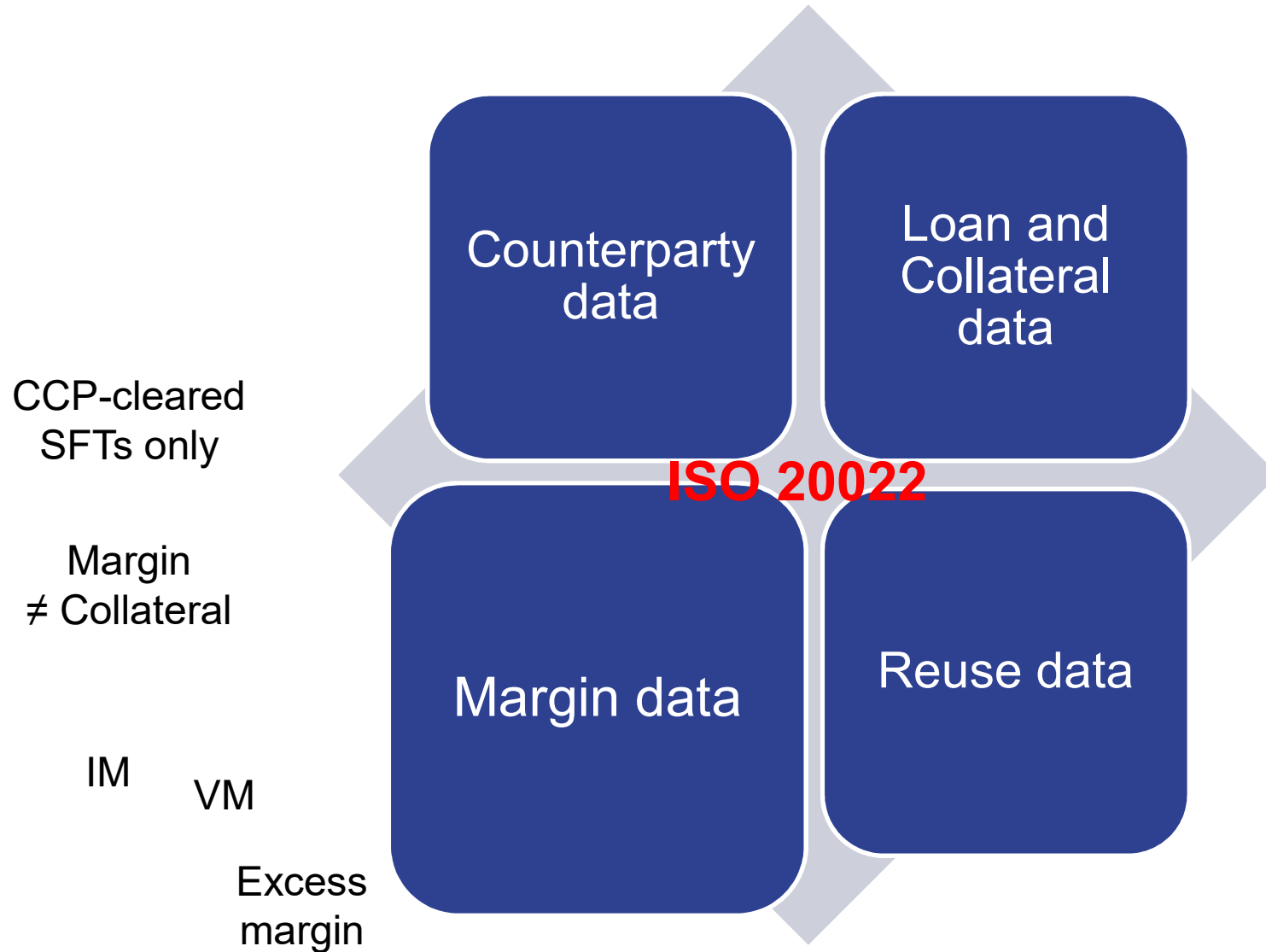   1. Cash rebate
    2. Non-cash
12. Margin lending

Counterparty data

Loan and Collateral data

Margin data

Reuse data

ISO 20022

Reporting – data building blocks

1. Uncollateralised SL
2. Collateralisation
    1. Single SFT
    2. Net exposure
3. Cash collateral
4. Securities collateral
    1. Haircut
    2. Collateral type
    3. Types of securities
    4. Net exposure with VM same securities
    5. Net exposure with VM different securities
5. Prepaid collateral
6. Portfolio of collateralised SFTs

Counterparty data	Loan and Collateral data
Margin data	Reuse data

ISO 20022

Reporting – building data blocks
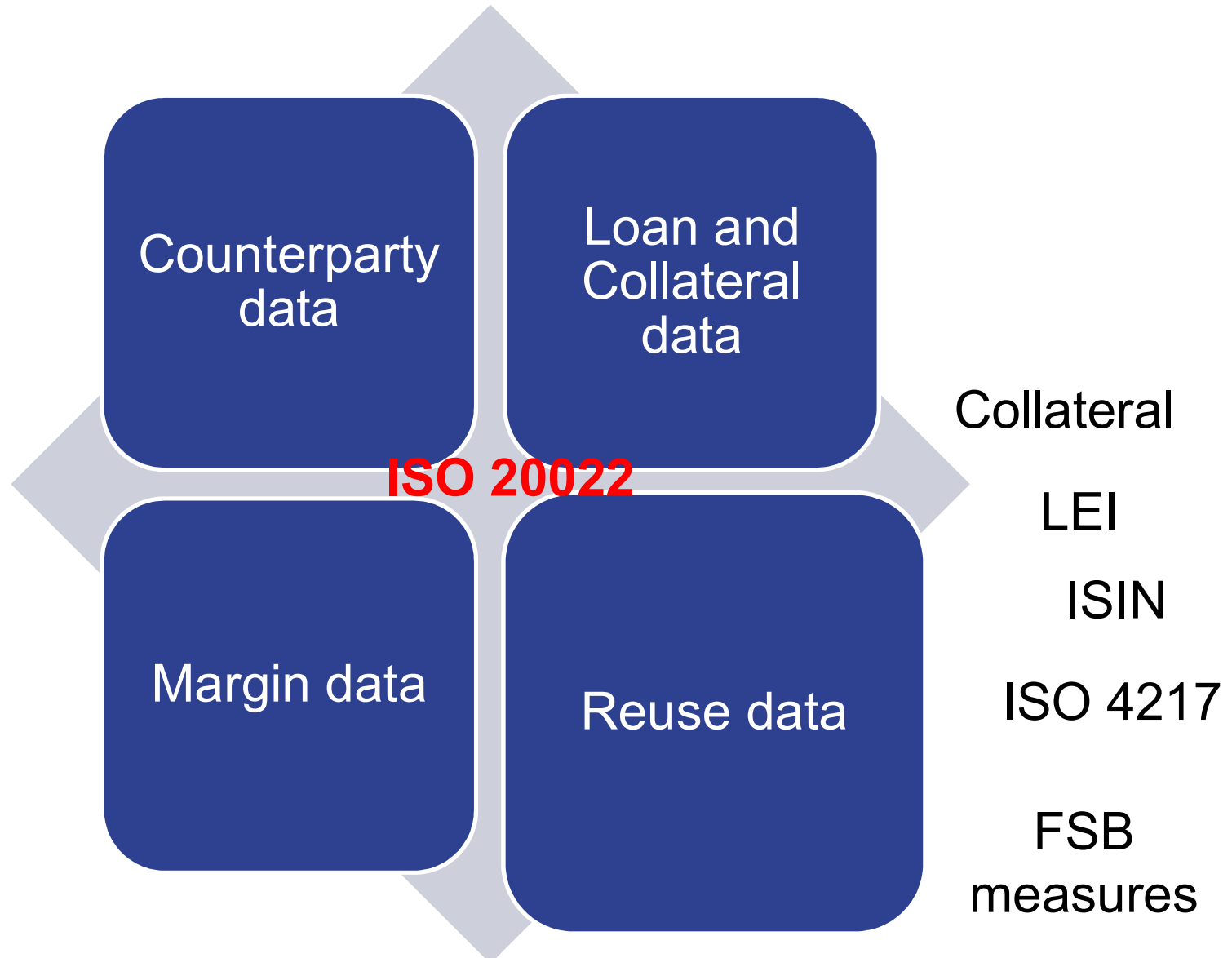
CCP-cleared
SFTs only

Margin
≠ Collateral

IM VM

Excess
margin

Counterparty
data

Loan and
Collateral
data

ISO 20022

Margin data

Reuse data

Reporting – data building blocks

Counterparty data

Loan and Collateral data

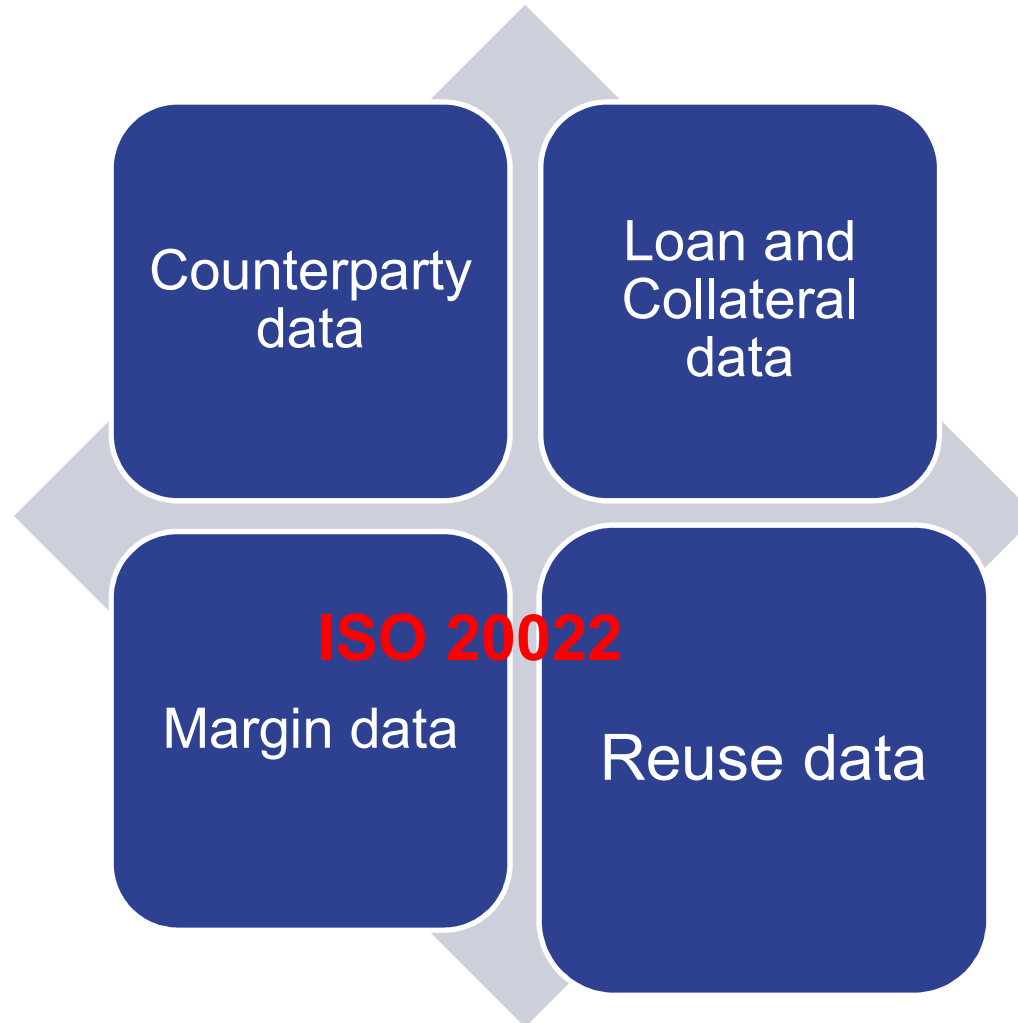**ISO 20022**

Margin data

Reuse data

Collateral

LEI

ISIN

ISO 4217

FSB measures

Reporting – data building blocks

1. Reuse of securities by FC or non-SME NFC
2. Reuse of securities by SME FC
3. Cash reinvestment by FC or non-SME NFC
4. Cash reinvestment by SME FC

Counterparty data

Loan and Collateral data

ISO 20022

Margin data

Reuse data

Data quality

- Operational standards for data collection – use of ISO 20022
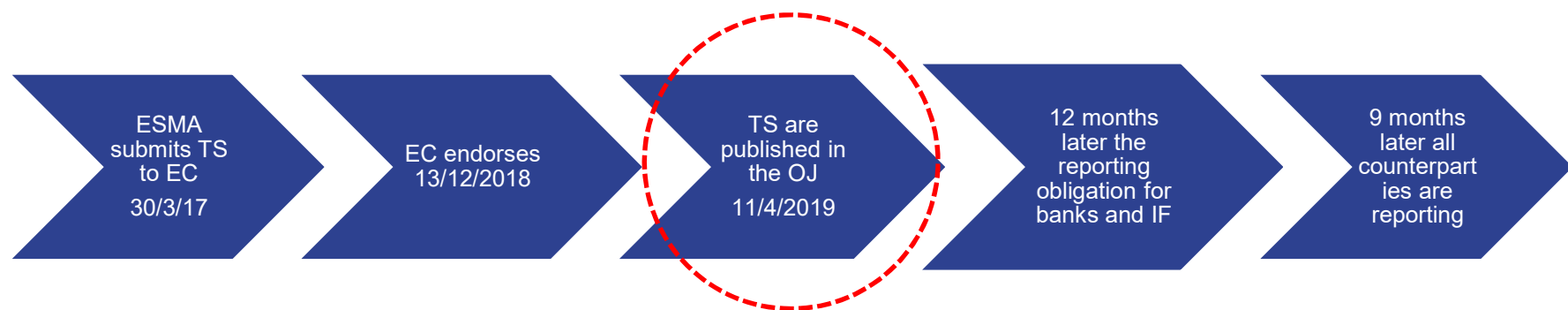 - Validation

  - Reconciliation

  - Response mechanisms

Expected uses of data

- Monitoring of risks to financial stability in the EU
  - Entity aspects – build up of leverage, exposures, interconnectedness
  - Liquidity and maturity transformation
  - Close links with derivatives (repo and IRS)
  - Collateral aspects
    - Price discovery and secondary market liquidity
    - Reuse
    - Haircuts

- Contribution to the global SFT data collection exercise
  - Jurisdiction exposures
  - Use of different types of SFTs
  - Reuse of collateral and collateral velocity

- Data elements are needed to perform the above functions

- SFTs reported under SFTR should not be reported under MiFIR

SFTR reporting timeline

- ESMA submitted the Final report to EC on 30 March 2017

- ESMA submitted an opinion on the EC's intended amendments on 4 September 2018

- The TS were endorsed on 13 December 2019, published in the OJ on 22 March 2019 and entered into force on 11 April 2019

| ESMA submits TS to EC 30/3/17 | EC endorses 13/12/2018 | TS are published in the OJ 11/4/2019 | 12 months later the reporting obligation for banks and IF | 9 months later all counterparties are reporting |

What keeps us busy now?

- ## The key SFTR deliverables and milestones for 2018-2019:

  - ➢ Finalise TS with EC (DG FISMA)
  - ➢ Finalise the XML messages used in SFT (reporting, reconciliation, data access and communication)
  - ➢ Draft guidelines on reporting incl. TR validation rules for the SFT reporting
  - ➢ Draft guidelines on the calculation of named and sectoral positions in SFTs (EMIR and FSB inspired)
  - ➢ Draft guidelines on portability under SFTR (EMIR-inspired)
  - ➢ Extension of TRACE system for SFTR
  - ➢ Preparatory work on registration of TRs