

# Securities Financing Transaction Reporting (SFTR)

The reporting obligation for securities financing transactions

The regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 has entered into force on the 12th January 2016. The aim is to increase transparency and stability in the market, particularly in shadow banking, in order to identify and monitor the risks posed by securities financing transactions (SFTs) at an early stage. The reporting obligation of SFTs is a core requirement under SFTR, alongside the transparency requirements for asset managers already in place in 2017 and the rules for the re-use of collateral, becoming effective in July 2016.

The final RTS and ITS were published in the Official Journal of the EU on the 22nd of March 2019, thus entering into force on the 11th April 2019. In addition, ESMA published the consultation paper for the level III Guidelines on the 27th of May. After considering the feedback received, ESMA expects to publish the final Guidelines on Reporting under SFTR in Q4 2019.

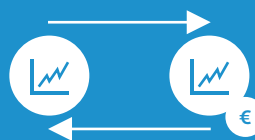
## Affected products under SFTR reporting obligation:



Repurchase agreements



Margin-lending



Securities or commodities lending transactions



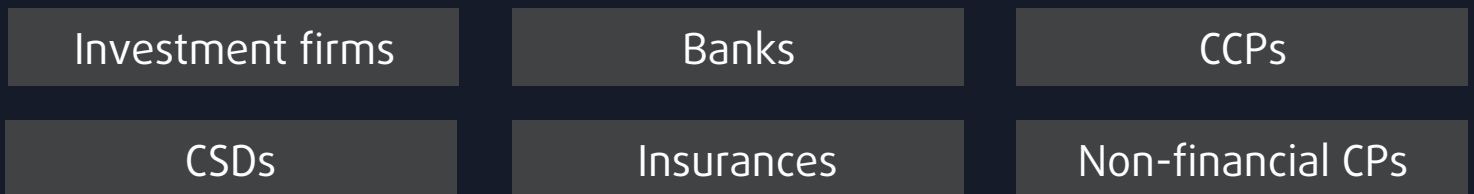
Buy Sell-Back or Sell Buy-Back transactions

“ The regulation aims at increasing transparency in the shadow banking in order to better assess and monitor the systemic risks stemming from SFTs. ”

## SFTR reporting requirements

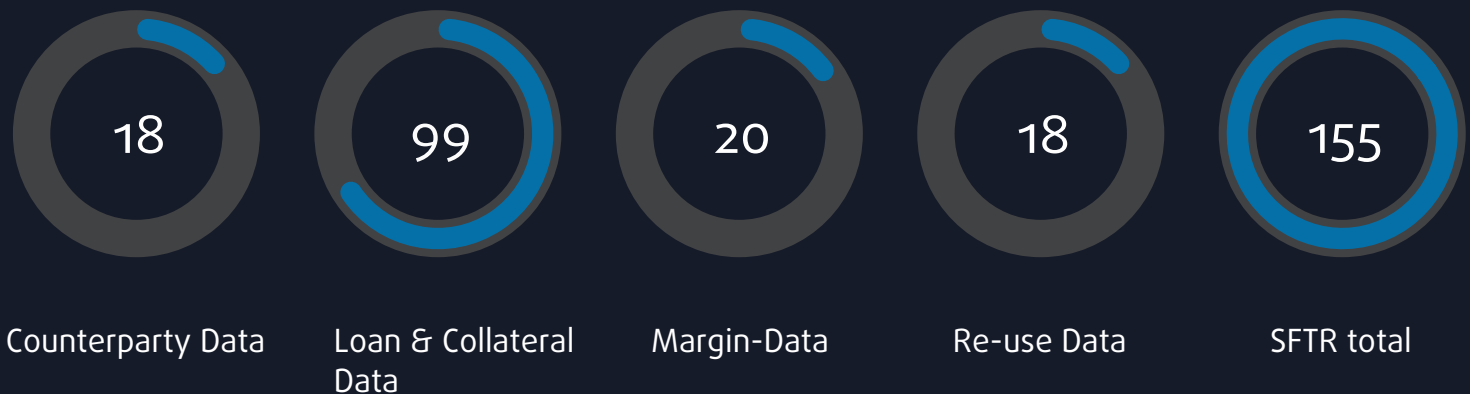
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Reportable are new contracts, the modifications and early terminations of a trade for all EU-based financial and non-financial counterparties or counterparties that trade SFTs through an EU-based subsidiary.



## Reporting fields

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## Core reporting requirements

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- Dual sided reporting requirement on the following working day (t+1).
- Reporting requirement for new trades as well as existing trades, whenever an amendment, modification or early termination takes place.
- Reporting of collateral updates latest on settlement day (s+1)
- Reporting scheme ISO20022 XML template
- The reporting requirement can be delegated to third parties.

## Industry discussed topics

There are open topics, which are currently discussed in the market and where a common interpretation/best practice is still outstanding. Our particular concern as a business consulting firm, is to keep up-to-date. We are leveraging our network and participate actively in working groups of different industry associations (BVI, ICMA, ISLA) in order to contribute to the development. Topics to focus on:

### Issuer LEI

ESMA still insists on Issuer LEI as a mandatory field. Firms must be prepared for the "no LEI no trade" scenario.

### Backloading

Backloading shall start at compliance date instead of 190 days approach. Uncertainty until the final ESMA guidelines are published. Firms need to be prepared for both scenarios.

### Re-Use Report

Obligation to report all reused securities and cash amounts at ISIN level or currency level. If a security or cash is not re-used anymore, a "Zero Report" is probably required.

### Snapshot vs. Delta Reporting

How to report modification? Topic addressed in the consultation paper.

### UTI

How are UTIs exchanged between the counterparties? Still no regulatory guideline how to handle the situation, when a UTI is not delivered in time.

### Settlement fail

Settlement fail impacts the reporting on a case-by-case basis. Actual settlement impacts certain modification events whereas do not impact the initial trade reporting.

**Q4 2019**  
Final ESMA  
Guidelines are  
expected

Dez

Jan

Feb

Mär

**11th April 2020**  
Reporting obligation  
for  
investment firms  
and banks

Apr

Mai

Jun

**11th July 2020**  
Reporting obligation  
for  
CCPs and CSDs

Jul

Aug

Sep

**11th October 2020**  
Reporting obligation  
for  
Insurances, UCITS  
and AIFs

Okt

Nov

Dez

**11th January 2021**  
Reporting obligation  
for  
non-financial  
counterparties

Jan

Feb

Mär

2019

2020

2021

## Why NEXGEN?

Our **range of services** includes the **analysis** and **implementation** of new regulatory requirements and the adaptation of existing regulations as well as the **optimization** of regulatory process landscapes. We act holistically and also keep an eye on the effects on neighboring business areas, as these are often also affected and offer further optimization potential. The identification of costs and the associated savings potential are the basis for **efficient implementation**.

 Regulations	<ul style="list-style-type: none"><li>- SFTR</li><li>- MiFIR</li><li>- MiFID II</li><li>- EMIR</li></ul>	<ul style="list-style-type: none"><li>- Dodd-Frank-Act</li><li>- InvStG</li><li>- SRD II</li><li>- FATCA</li></ul>
 Trade Repositories	<ul style="list-style-type: none"><li>- REGIS-TR</li><li>- DTCC</li><li>- Bundesbank</li></ul>	<ul style="list-style-type: none"><li>- HKMA</li><li>- Deutsche Börse RRH</li></ul>
 Tasks / Expertise	<ul style="list-style-type: none"><li>- Gap Analysis</li><li>- Request for Proposal</li><li>- Definition Trigger Logic</li><li>- Mapping</li><li>- Operational Readiness</li></ul>	<ul style="list-style-type: none"><li>- Specification</li><li>- Data modelling</li><li>- Eligibility Rules</li><li>- Testing</li><li>- Implementation</li></ul>

**You need support for your SFTR project?  
We are looking forward hearing from you.**

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## NEXGEN

is a consultancy with the focus on financial institutions and service providers in the „international capital markets“ environment – especially securities and derivatives



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