



SNAPSHOT



All eyes
on SFTR



Expect Excellence



What is SFTR?

The Securities Financing Transactions Regulation (SFTR) is a European regulation designed to improve the transparency of Securities Financing Transactions (SFTs) and help supervisors and investors better understand the associated risks. The regulation has already introduced disclosure and consent conditions regarding collateral re-use and disclosure of SFT use by investment funds to their investors. The remaining and most challenging piece of the regulation is the introduction of dual-sided transaction reporting of SFTs, where both collateral provider and collateral taker are required to report their side of the SFT to a registered Trade Repository (TR).

The products in scope for this reporting are Repurchase Agreements (Repos), Buy/SellBack transactions, Securities & Commodities Lending and Margin Lending and includes reporting of associated collateral pledged by the borrower, margin placed with Central Clearing Counterparties and an estimate of collateral re-use for each product type.

Following publication of the Level II legislation in the Official Journal of the EU on 22nd March 2019, this gives live dates of 11th April 2020 for reporting by credit institutions, investment firms and relevant third country firms. Subsequent dates are 11th July 2020 for CSDs and CCPs, 11th October 2020 for all other financial counterparties, and 11th January 2021 for all non-financial counterparties.

Why is it important to our market?

Given the large number of participants involved in SFTs, with some firms impacted across many different product areas, this new reporting requirement is going to be at the forefront of the industry's challenges between now and the live date. Fixed Income, Equities, Treasury, Prime Brokerage, Agency Lending, Clearing and Collateral Management functions will all be involved in the reporting of these transactions.

Although this type of reporting is new for these product types, transaction reporting has received a lot of attention over recent years with Dodd Frank, EMIR and MiFID II all having a heavy transaction reporting component.

With extensive experience of impact assessment, business and functional requirements definition, regulatory requirements traceability and operating model design & implementation gained through our involvement with these prior regulations, BCS is ideally placed to support this new challenge.

What is our view on it?

On the one hand, in being able to leverage work undertaken for Dodd Frank, EMIR and MiFID II, the industry commences SFTR from an advantageous position. Many organisations already have transaction reporting infrastructure in place: transaction warehouses, rules engines, data translation and validation tools, controls, management information, and links to trade repositories have all been developed and proven.

However, the complexity for SFTR is in the scope of the products and events involved, the timely sourcing of the data attributes and, most critically, the fact that this reporting is being imposed on new business areas that have not had to undertake this previously. An organisation's technology based transaction reporting team are not likely to have experience of SFTs and the SFT business lines are not likely to have experience with the organisation's reporting infrastructure. Stakeholder engagement and bringing these parties together is vital, so strong programme governance is paramount.

With the confirmed Easter 2020 live date, organisations need to ensure they have budget, plans and resources in place to address this challenging piece of new regulation. With six report types, ten action types for these reports and 153 data attributes to consider the sourcing of, there is substantial work to be done.

At BCS we are ideally placed to help clients with their SFTR deliverables given both our previous transaction reporting experience and our understanding of the specific requirements and challenges of the regulation.

Who should you speak to about it?

If you wish to know more about the regulation and how BCS can help your organisation handle the challenges that SFTR poses, then please get in touch with either Gavin Berry, Director, at Gavin.Berry@bcsconsulting.com or Tristan Frost, Director, at Tristan.Frost@bcsconsulting.com



「SNAPSHOT」

The publication's contents have been provided for information purposes only and every reasonable effort has been made to ensure the content's accuracy at the date of publication. Business Control Solutions plc accepts no responsibility or liability for any consequence resulting directly or indirectly from any action or inaction taken based on or made in reliance upon the publication's contents.

© Business Control Solutions plc 2019

This publication and its content is the copyright of Business Control Solutions plc and must not be stored, reproduced or disseminated in whole or in part except with the prior written consent of Business Control Solutions plc. Any derivatives of this publication shall be owned by Business Control Solutions plc.