



# 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/Sell Back 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 instrument.

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 insurance firms, UCITS, AIFs and pension funds, 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 at the forefront of the industry's challenges. 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, vendor assessment, and operating model design & implementation gained through our involvement with both SFTR and prior regulations BCS is ideally placed to support this 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 is tackling SFTR from an advantageous position. Many organisations, particularly on the sell side, 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.

Some firms, including many on the buy side, will look to outsource reporting where possible, making use of vendor reporting solutions and/or potential delegated reporting based offerings, similar to services introduced for EMIR.

With the live dates confirmed for the majority of firms through 2020, organisations need to ensure they have assessed the impact and 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.

## 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@bciconsulting.com](mailto:Gavin.Berry@bciconsulting.com) or Tristan Frost, Director, at [Tristan.Frost@bciconsulting.com](mailto:Tristan.Frost@bciconsulting.com)**

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