



SFTR



FOCUS

Version 11 – Updated in March 2021

REGULATORY EVOLUTION

The European Commission proposed a regulation on securities financing transactions (SFT).

Changes implemented

1. New rules on reuse of collateral (art.15)
2. New information to be disclosed in prospectus and financial reports.

Changes adopted but to be implemented

Obligation to report all transactions to *Trade Repositories* (TR) (art.4)
- **ESMA Public Statement as of 19 March 2020**

1. **ESMA expects competent authorities not to prioritize their supervisory actions towards entities subject to Securities Finance Transactions (SFT) reporting obligations as of 13 April 2020 and until 13 July 2020.**
2. **ESMA does not consider it necessary to register any TR ahead of 13 April 2020.**

FOCAL POINTS

- The last piece of this regulation to be implemented was to notify SFT (Securities financing transactions) like repos, securities lending, buy-sell back securities or sell-buy back securities to trade repositories (TR). This is similar to the notification process for EMIR. The full package of SFTR RTS and ITS has been published in the EU's Official Journal on 22 March 2019 which consists of 10 different delegated and implementing regulations, including the relevant annexes.
- In terms of reporting timeline, RTS and ITS entered into **force on 11 April 2019** (20th day after publication) and will then apply as follows:
 - ✓ **13 July 2020**: Reporting go-live for banks and investment firms (12 months after entry into force)
 - ✓ **13 July 2020**: Reporting go-live for CCPs & CSDs (15 months after entry into force)
 - ✓ **13 October 2020**: Reporting go-live for the Buy-side -Funds & Insurance Companies (18 months after entry into force)
 - ✓ **January 2021**: Reporting go-live for non-Financial Counterparties (NFCs) (21 months after entry into force)



❑ SFTR came into force on 13 January 2016

Updated on 25 March 2021

• Transaction reporting deadline starts as from April July 2020.

STATEMENT

- ❑ Article 15 : More transparency by contract amendment and/or notification to counterparties/clients/beneficiaries. They had to be modified for 13 July 2016.
- ❑ Annual or semi-annual reports must include new data information on SFT (13 Jan 2017) Section A of the Annex as well as in the prospectus (13 July 2017) Section B of the Annex. Static and dynamic data of Section A have been identified in order to be disclosed in the relevant financial reports of UCITS/AIFs. List of eligible assets for the collateral is not limited in the final text. The term reuse must align to the one defined by the FSB.
- ❑ ESMA launched a new consultation paper on art.4 and art.12 to be answered before 29th July 2019 and published on 31 Oct. 2019 further technical details for the reporting of Securities Financing Transactions (SFTs). That publication includes valuation rules applicable to SFTR reports as well as XML schemas reporting entities should use: counterparty and TR data exchange, intra-TR data exchange and TR to authority data exchange.
- ❑ The industry was still expecting for December 2019 the publication of the final ESMA guidelines. It was done on 6 January 2020 with information on reporting rules and notification to Trade Repositories and a statement on Legal Entity Identifiers (LEI).
- ❑ ESMA approved 4 trade repositories with effect from 7 May 2020: DTCC, UnaVista TRADEcho, Krajowy Depozyt Papierów Wartościowych and REGIS-TR. *Last reporting timeline has been implemented for NFCs. A one year remediation plan is necessary to close any technical breach.*
- ❑ **Use of Securities Financing Transactions by UCITS** – CSSF FAQ 18 December 2020. The CSSF expects the disclosure clarifications given by means of the present FAQ to be included in the prospectus, respectively in the disclosure to investors, **by 30 September 2021** at the latest.

FOR YOUR CONSIDERATION

- ❑ Clients/UCITS Man Co/AIFM need to assess whether they will have an internal solution for complying with transaction reporting. A screening of Fund portfolios should be performed in order to assess level of SFTs (Repos, Securities lending).
- ❑ SGSS did not implement internally a service of securities financing transaction reporting. But SGSS can assist in order to comply with SFTR with or without external providers.
- ❑ An exchange of letters between the European Commission and ESMA and AIMA has confirmed that non-EU AIFs (irrespective of manager location) will not be subject to the SFTR reporting obligation, bringing welcome clarity for many buy-side participants.

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To know more please refer to:
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