



SFTR



Version 12 – Updated in July 2021

REGULATORY EVOLUTION

The European Commission decided 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 (Section A and B of the Annex).

Changes adopted and implemented in 2020-2021

- ✓ Obligation to report all transactions to *Trade Repositories* (TR) (art.4) - ESMA Public Statement as of 19 March 2020.
- ✓ TR have to be approved by ESMA for registration.

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 had been published in the EU's Official Journal on 22 March 2019 consisting 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 then reporting go-live applied as follows:
 - ✓ **13 July 2020**: for banks and investment firms (12 months after entry into force)
 - ✓ **13 July 2020**: for CCPs & CSDs (15 months after entry into force)
 - ✓ **13 October 2020**: for the Buy-side -Funds & Insurance Companies (18 months after entry into force)
 - ✓ **January 2021**: for non-Financial Counterparties (NFCs) (21 months after entry into force)



❑ **SFTR came into force on 13 January 2016**

Updated on 8 July 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. Modification 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), including 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).
- ❑ Final ESMA guidelines were published 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 -Jan 2022 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.
- ❑ On **29 March 2021**, ESMA published Guidelines on Reporting under Articles 4 and 12 SFTR in order to clarify a number of provisions of SFTR and to provide practical guidance on the implementation of some of those provisions.

FOR YOUR CONSIDERATION

- ❑ Clients/UCITS Man Co/AIFM need to assess whether they 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:
FicheSFTR-ToKnowMore

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