



European Securities and  
Markets Authority

# Reply form for the SFTR Discussion Report



11 March 2016

## Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA SFTR Discussion Report, published on the ESMA website.

### **Instructions**

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type <ESMA\_QUESTION\_SFTR\_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

- if they respond to the question stated;
- contain a clear rationale, including on any related costs and benefits; and
- describe any alternatives that ESMA should consider

### **Naming protocol**

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA\_SFTR\_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA\_SFTR\_XXXX\_REPLYFORM or

ESMA\_SFTR\_XXXX\_ANNEX1

### **Deadline**

Responses must reach us by 22 April 2016.

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input/Consultations’.



### ***Publication of responses***

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

### ***Data protection***

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the headings 'Legal notice' and 'Data protection'.



## Introduction

***Please make your introductory comments below, if any:***

< ESMA\_COMMENT\_SFTR\_1 >

The German Banking Industry Committee (GBIC, die Deutsche Kreditwirtschaft) is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

The German Banking Industry (GBIC, Die Deutsche Kreditwirtschaft) is grateful to be given the opportunity to comment on ESMA's discussion paper "Draft RTS and ITS under SFTR".

We welcome ESMA's approach of minimizing overlaps and avoiding inconsistencies between the technical standards adopted pursuant to the SFTR and those adopted pursuant to Article 9 of EMIR.

GBIC has made an initial analysis of the tables of fields in annex 6.1. Please see our findings uploaded in a separate document (ESMA\_SFTR\_GBIC\_annex1.doc)

< ESMA\_COMMENT\_SFTR\_1 >

Q1. Are these amendments to the provisions included in EMIR RTS 150/2013 sufficient to strengthen the registration framework of TRs under SFTR? If not, what additional provisions should be envisaged? What are the cost implications of the establishment of the provisions referred to in paragraphs 41-53? What are the benefits of the establishment of the provisions referred to in paragraphs 41-53? Please elaborate.

<ESMA\_QUESTION\_SFTR\_1>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_1>

Q2. Are these procedures sufficient to ensure the completeness and correctness of the data reported under Article 4(1) SFTR? If not, what additional provisions should be envisaged?

<ESMA\_QUESTION\_SFTR\_2>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_2>

Q3. What are the cost implications of the establishment of the provisions referred to in paragraph 56 to ensure the completeness and correctness of the data reported under Article 4(1) SFTR? Please elaborate and provide quantitative information to justify the cost implications.

<ESMA\_QUESTION\_SFTR\_3>  
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<ESMA\_QUESTION\_SFTR\_3>

Q4. Are these additional procedures sufficient to strengthen the registration framework of TRs under SFTR? If not, what additional provisions should be envisaged?

<ESMA\_QUESTION\_SFTR\_4>  
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<ESMA\_QUESTION\_SFTR\_4>

Q5. What are the cost implications of the establishment of the provisions referred to in paragraphs 58-65?

<ESMA\_QUESTION\_SFTR\_5>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_5>

Q6. What are the benefits of the establishment of the provisions referred to in paragraphs 58-65? Please elaborate.

<ESMA\_QUESTION\_SFTR\_6>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_6>

Q7. Do you agree with the information that should not be provided in the case of extension of registration? Please elaborate.

<ESMA\_QUESTION\_SFTR\_7>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_7>

Q8. Are there additional provisions that should be removed / included? Please elaborate.

<ESMA\_QUESTION\_SFTR\_8>  
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<ESMA\_QUESTION\_SFTR\_8>

Q9. What are the benefits of providing less documentation? Please elaborate.

<ESMA\_QUESTION\_SFTR\_9>



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<ESMA\_QUESTION\_SFTR\_9>

Q10. Do you agree with the proposed format of the application for registration and the application for extension of registration? If not, do you consider that the format of the application for extension of registration should be different? What are the costs and benefits of the proposed approach?  
Please elaborate.

<ESMA\_QUESTION\_SFTR\_10>  
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<ESMA\_QUESTION\_SFTR\_10>

Q11. Do you agree with the proposed technical format, ISO 20022, as the format for reporting? If not, what other reporting format you would propose and what would be the benefits of the alternative approach?

<ESMA\_QUESTION\_SFTR\_11>  
GBIC understands the need for a standardised format, but smaller counterparties, which may not have the infrastructure or resources to support ISO20022, should be permitted to use alternative formats. Otherwise, smaller firms which are unable to comply with a requirement to use the ISO20022 format will be obliged to delegate their reporting. To avoid a large increase in delegated reporting due to restrictive format requirements, ESMA could still promote standardised reporting by requiring the use of ISO20022 if feasible, but also allowing alternative solutions where ISO20022 is unavailable to firms.  
<ESMA\_QUESTION\_SFTR\_11>

Q12. How would the proposed format comply with the governance requirements in paragraph 75?  
Please elaborate.

<ESMA\_QUESTION\_SFTR\_12>  
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<ESMA\_QUESTION\_SFTR\_12>

Q13. Do you foresee any difficulties related to reporting using an ISO 20022 technical format that uses XML? If yes, please elaborate.

<ESMA\_QUESTION\_SFTR\_13>  
No.  
<ESMA\_QUESTION\_SFTR\_13>

Q14. Do you foresee issues in identifying the counterparties of an SFT trade following the above-mentioned definitions?

<ESMA\_QUESTION\_SFTR\_14>  
The definition of “broker” could be misleading owing to the different roles it plays in different SFTs. In the context of prime broker margin lending, a broker will act as a prime broker but will also be the counterparty to the trade and will not act as an intermediary. With this in mind, we suggest adding a separate definition for prime broker to avoid confusion and ensure there is a clear understanding of what capacity firms are acting in with respect to the SFT in question.

In addition, the inclusion of the term “lending agent” in the definition of broker seems to suggest that the two are linked. We would therefore suggest removing this reference from the definition of broker.

<ESMA\_QUESTION\_SFTR\_14>

Q15. Are there cases for which these definitions leave room for interpretation? Please elaborate.

<ESMA\_QUESTION\_SFTR\_15>  
Where an entity may perform multiple roles, the technical standards need to clarify that they apply to a counterparty acting in a specific capacity.



As pointed out in our response to question 14, brokers play different roles in different SFT, which could well lead to interpretation issues. We believe it would be preferable to have a separate definition for prime broker. This will ensure a clear identification of the role the broker performs in relation to margin lending.  
<ESMA\_QUESTION\_SFTR\_15>

Q16. Is it possible to report comprehensive information at transaction level for all types of SFTs and irrespective of whether they are cleared or not?

<ESMA\_QUESTION\_SFTR\_16>

In the context of securities lending, transaction level information can typically be reported against the securities side of the trade for proprietary trading information on a T+1 basis.

Where the securities lending trade involves an agent lender, any non-proprietary information will not be available for reporting to the borrower until the lender has provided it.

It also needs to be borne in mind that, until title transfer of the security has taken place, there is no exposure to the counterparty and thus no collateral will be provided. In this case, there is likely to be large volumes of data that have no relevance to financial stability and will not be matched to collateral until after settlement occurs. These transactions will therefore in effect be irrelevant until title transfer has taken place (settlement).

In these situations, collateral cannot be reported until title transfer of the lent securities has taken place, which will generally be later than T+1.

In the context of margin lending, the concept of “transaction” in the sense that it applies to either repo or securities lending does not exist. There is a single cash balance that the client holds with the prime broker, and this can increase or decrease depending on the activity of the client. For margin lending, this cash balance will be contingent on defining what the margin loan is and when it is made and whether it constitutes a position or a transaction, neither of which are completely suitable terms. From a reporting perspective, there would be a single UTI for each client’s cash balance that would be modified when the balance increased or decreased, rather than a UTI provided for each increase or decrease in the overall cash balance.

<ESMA\_QUESTION\_SFTR\_16>

Q17. Is there any need to establish complementary position-level reporting for SFTs? If yes, should we consider it for particular types of SFTs, such as repo, or for all types?

<ESMA\_QUESTION\_SFTR\_17>

Since the SFTR requires transaction level information and national authorities can deduct any position level information from the reported transactions, ESMA should not require additional position level reporting from firms.

<ESMA\_QUESTION\_SFTR\_17>

Q18. Is there any need to differentiate between transaction-level data and position-level data on loans from a financial stability perspective? Please elaborate.

<ESMA\_QUESTION\_SFTR\_18>

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<ESMA\_QUESTION\_SFTR\_18>

Q19. Would the data elements included in section 6.1 be sufficient to support reporting of transactions and positions?

<ESMA\_QUESTION\_SFTR\_19>

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<ESMA\_QUESTION\_SFTR\_19>

Q20. Would the data elements differ between position-level data and transaction-level data? If so, which ones?



<ESMA\_QUESTION\_SFTR\_20>  
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<ESMA\_QUESTION\_SFTR\_20>

Q21. Would the proposed approach for collateral reporting in section 4.3.5 be sufficient to accurately report collateral data of SFT positions? Please elaborate.

<ESMA\_QUESTION\_SFTR\_21>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_21>

Q22. From reporting perspective, do you foresee any significant benefits or drawbacks in keeping consistency with EMIR, i.e. applying Approach A? What are the expected costs and benefits from adopting a different approach on reporting of lifecycle events under SFTR with respect to EMIR? Please provide a justification in terms of cost, implementation effort and operational efficiency. Please provide concrete examples.

<ESMA\_QUESTION\_SFTR\_22>  
In order to keep consistency with EMIR and to reduce any additional implementation requirements, GBIC believes that Approach A will be a viable option.  
<ESMA\_QUESTION\_SFTR\_22>

Q23. Do you agree with the proposed list of “Action Types”? If not, which action types should be included or excluded from the above list to better describe the SFT? Please elaborate.

<ESMA\_QUESTION\_SFTR\_23>  
We generally agree. However, we would suggest aligning the proposed action types with those set out in ESMA’s Final Report of 13<sup>th</sup> November 2015 Review of the Regulatory and Implementing Technical Standards on reporting under Article 9 of EMIR ESMA/2015/1645  
<ESMA\_QUESTION\_SFTR\_23>

Q24. Do you foresee any benefits or drawbacks of implementing the proposed reporting logic of event types and technical actions (Approach B)? Please elaborate.

<ESMA\_QUESTION\_SFTR\_24>  
Although Approach B seems, on the face of it, to align itself more closely to the nature of the SFT’s lifecycle events, the use of different reporting formats would be more complex, would possibly give rise to implementation issues and would be more costly to establish.

In addition, the event types and technical actions are not relevant to all SFTs (e.g. margin loans), which would complicate implementation.

<ESMA\_QUESTION\_SFTR\_24>

Q25. Do you agree with the proposed list of event types and technical actions? If not, which ones should be included or excluded?

<ESMA\_QUESTION\_SFTR\_25>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_25>

Q26. Do you foresee any need to introduce a unique reference identifier for the lifecycle events or for technical actions? Please elaborate.

<ESMA\_QUESTION\_SFTR\_26>  
No. GBIC consider it sufficient to have a transaction-based UTI. More granular identifiers for individual life cycle events are neither necessary, nor would they be useful, in our view.  
<ESMA\_QUESTION\_SFTR\_26>

Q27. From reporting perspective, do you foresee any drawbacks in keeping consistency with EMIR? If so, please indicate which ones?



<ESMA\_QUESTION\_SFTR\_27>

We understand the rationale for using buyer and seller terminology (i.e. to remain consistent with EMIR) and acknowledge that mapping could be used in this regard. Nevertheless, this is not terminology which is used in the SFT market and there is thus a danger that the mapping might be open to incorrect interpretation or implementation. The terminology used in the market is “borrower” and “lender” and it would be best to retain it.

<ESMA\_QUESTION\_SFTR\_27>

Q28. Are the proposed rules for determination of buyer and seller sufficient? If not, in which scenarios it might not be clear what is the direction of the trade? Which rules can be proposed to accommodate for such scenarios?

<ESMA\_QUESTION\_SFTR\_28>

The use of inappropriate terminology will lead to confusing and potentially incorrect reporting if incorrect interpretations are made.

Throughout the SFT market, there is generally an asset provider and a collateral receiver – termed the lender – and an asset receiver and collateral provider – termed the borrower.

Mapping would consequently be required to covert the conventional terminology used in the market into the reporting terminology, i.e. buyer = borrower and seller = lender.

In this context, the definitions of securities lender and securities buyer are incorrect.

The counterparty that lends the securities is the lender (seller) and the counterparty that borrows the securities is the borrower (buyer).

For margin lending, the definitions are generally correct.

The counterparty lending the cash is the lender (seller) and the counterparty borrowing the cash is the borrower (buyer)

<ESMA\_QUESTION\_SFTR\_28>

Q29. Are the proposed rules consistent with the existing market conventions for determination of buyer and seller? If not, please provide alternative proposals.

<ESMA\_QUESTION\_SFTR\_29>

The proposed rules are not consistent with existing market conventions. The existing market convention is to use the terminology “borrowers” and “lenders”, reflecting their respective role in the SFT market.

<ESMA\_QUESTION\_SFTR\_29>

Q30. Are you aware of any other bilateral repo trade scenario? With the exception of tri-party agents that are documented in section 4.2.5, are there any other actors missing which is not a broker or counterparty? Please elaborate.

<ESMA\_QUESTION\_SFTR\_30>

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<ESMA\_QUESTION\_SFTR\_30>

Q31. Do you consider that the above scenarios also accurately capture the conclusion of buy/sell-back and sell/buy back trades? If not, what additional aspect should be included? Please elaborate.

<ESMA\_QUESTION\_SFTR\_31>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_31>

Q32. Do you agree with the description of the repo scenarios?

<ESMA\_QUESTION\_SFTR\_32>

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<ESMA\_QUESTION\_SFTR\_32>



Q33. Are you aware of any other repo scenarios involving CCPs?

<ESMA\_QUESTION\_SFTR\_33>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_33>

Q34. Are there any other scenarios that should be discussed? Please elaborate.

<ESMA\_QUESTION\_SFTR\_34>

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<ESMA\_QUESTION\_SFTR\_34>

Q35. Do you consider that the documented scenarios capture accurately the conclusion of buy/sell-back trades? If not, what additional aspects should be considered?

<ESMA\_QUESTION\_SFTR\_35>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_35>

Q36. According to market practices, can buy/sell-back and sell/buy back trades involve a CCP?

<ESMA\_QUESTION\_SFTR\_36>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_36>

Q37. Are there any other actors missing which are not mentioned above, considering that tri-party agents are covered in section 4.2.5? Please elaborate.

<ESMA\_QUESTION\_SFTR\_37>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_37>

Q38. Are there any differences in the parties involved according to the different agency lending models?

<ESMA\_QUESTION\_SFTR\_38>

The broker/agent does not exist in this scenario. If the counterparties are disclosed in an agent lender relationship, the trade is booked between the two counterparties referencing the agent lender. If, however, counterparties are undisclosed, the trade is only booked against the agent lender. Confidentiality clauses in legal agreements prevent the front office from booking trades between the borrower and the undisclosed principal lender.

Subsequent reporting is provided by the agent lender to provide allocation breakdowns at the principal lender level, which is held outside the trading system, but this will not change the original booking of the trade with the agent lender (this trade continues to exist and gets amended irrespective of the lender allocations). The booking of the trade against the agent lender is also where the exposure is calculated and collateral is delivered.

<ESMA\_QUESTION\_SFTR\_38>

Q39. When would the both counterparties know the other's identity in an undisclosed lending agreement?

<ESMA\_QUESTION\_SFTR\_39>

The lender will know the identity of the borrower when the trade is agreed. The earliest that the lender would be able to send the allocation files through to the borrower would be the settlement date + 1, but it could be later than this depending on the timing of their file runs. Once these have been received, they need to be processed through the borrower's systems before the information is available to be reported, and additional processing is required to achieve this since the allocation information is held outside the trading system. This means a mapping process is necessary. As a result, the data are only likely to be available for reporting by the borrower on the settlement date + 2 at the earliest, and possibly later if there is a delay in receiving the files from the agent.

Since the agent may allocate a portion of the original trade exposure to an exempt reporting counterparty, moreover, the allocation that the borrower may report may not equal the total of the original trade against the agent lender, leading to an inability to match the trade.

<ESMA\_QUESTION\_SFTR\_39>

Q40. What other solution would you foresee for the reporting of trades involving the agent lender?

Please elaborate.

<ESMA\_QUESTION\_SFTR\_40>

As the information on the principal lenders is proprietary information of the agent lender, the borrower has no control over it or ability to know whether it is accurate. In consequence, the only way the borrower can report the information is if the agent lender provides it. The borrower should therefore only be obliged to report the trades against the agent. The agent, for its part, should be required to report the trade against the borrower and, in addition, the trade the principal lenders have against the borrower following the agent's allocation. This could be achieved either by a single-sided reporting obligation in these trading scenarios against the agent lender.

<ESMA\_QUESTION\_SFTR\_40>

Q41. Would an open offer clearing model possibly apply to securities lending too?

<ESMA\_QUESTION\_SFTR\_41>

We do not currently have enough information about future CCP models to be able to comment at this time.

<ESMA\_QUESTION\_SFTR\_41>

Q42. Would a broker be involved in addition to lending agent in such a transaction?

<ESMA\_QUESTION\_SFTR\_42>

We do not currently have enough information about future CCP models to be able to comment at this time.

<ESMA\_QUESTION\_SFTR\_42>

Q43. Would it be possible to link the 8 trade reports to constitute the "principal clearing model" picture?

If yes, would the method for linking proposed in section 4.3.4 be suitable?

<ESMA\_QUESTION\_SFTR\_43>

We do not currently have enough information about future CCP models to be able to comment at this time.

<ESMA\_QUESTION\_SFTR\_43>

Q44. In the case of securities lending transactions are there any other actors missing, considering that tri-party agents will be covered in section 4.2.5?

<ESMA\_QUESTION\_SFTR\_44>

We do not currently have enough information about future CCP models to be able to comment at this time.

<ESMA\_QUESTION\_SFTR\_44>

Q45. What potential issues do reporting counterparties face regarding the reporting of the market value of the securities on loan or borrowed?

<ESMA\_QUESTION\_SFTR\_45>

It needs to be borne in mind that firms may have different data sources for market prices and thus may provide different prices for the same UTI. It is only the price that the trade is valued at for exposure purposes that is agreed between the counterparties, and this includes a margin element in addition to the market price.

<ESMA\_QUESTION\_SFTR\_45>

Q46. Do such securities lending transactions exist in practice?

<ESMA\_QUESTION\_SFTR\_46>

Yes, they do because of their positive effects in the context of the liquidity coverage ratio.

<ESMA\_QUESTION\_SFTR\_46>

Q47. Do you agree with the proposal to explicitly identify non-collateralised securities or commodities lending transactions in the reporting fields? Please elaborate.

<ESMA\_QUESTION\_SFTR\_47>

As stated in our answer to question 46, there are instances where unsecured securities lending transactions occur and thus there is a requirement to identify these separately. This is important to ensure it is possible to distinguish between securities for which collateral information has been excluded in error and securities which are not intended to be collateralised.

<ESMA\_QUESTION\_SFTR\_47>

Q48. Would it be possible that an initially unsecured securities or commodities lending or borrowing transaction becomes collateralised at a later stage? Please provide concrete examples.

<ESMA\_QUESTION\_SFTR\_48>

This could happen, though in practice it might be rebooked as a new collateralised trade.

<ESMA\_QUESTION\_SFTR\_48>

Q49. Which of the scenarios described for securities lending (Section 4.2.4.2), repo and buy-sell back (Section 4.2.4.1) are currently applicable to commodities financing transactions? Please provide a short description of the commodity financing transactions that occur under each scenario and the involved actors.

<ESMA\_QUESTION\_SFTR\_49>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_49>

Q50. Are you aware of commodity financing transactions that would fall in the scope of the Regulation but are not covered in the scenarios described for securities lending (Section 4.2.4.2), repo and buy-sell back (Section 4.2.4.1)? If yes, please describe the general characteristics of such a transaction.

<ESMA\_QUESTION\_SFTR\_50>

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<ESMA\_QUESTION\_SFTR\_50>

Q51. Are the types of transactions recognised sufficiently clear for unambiguous classification by both reporting counterparties of commodity financing transactions into one of the types?

<ESMA\_QUESTION\_SFTR\_51>

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<ESMA\_QUESTION\_SFTR\_51>

Q52. What additional details may help to identify the type of transactions used?

<ESMA\_QUESTION\_SFTR\_52>

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<ESMA\_QUESTION\_SFTR\_52>

Q53. What are the main types of commodities used in SFTs?

<ESMA\_QUESTION\_SFTR\_53>

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<ESMA\_QUESTION\_SFTR\_53>

Q54. How often, in your experience, are other commodities used?

<ESMA\_QUESTION\_SFTR\_54>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_54>

Q55. In your experience, what share of the transactions involves standardised commodity contracts, such as most traded gold and crude oil futures? Please provide concrete examples.

<ESMA\_QUESTION\_SFTR\_55>

TYPE YOUR TEXT HERE



<ESMA\_QUESTION\_SFTR\_55>

Q56. In your experience, what share of the transactions involve commodities that meet the contract specification for the underlying to derivative contracts traded on at least one [EU] exchange?? If yes, please elaborate and provide concrete examples.

<ESMA\_QUESTION\_SFTR\_56>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_56>

Q57. Do the proposed fields and attributes in Section 6.1 sufficiently recognize the characteristics of commodity financing transactions? Please describe any issues you may see and describe any reporting attributes that should be added in order to enable meaningful reporting of commodity financing transactions.

<ESMA\_QUESTION\_SFTR\_57>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_57>

Q58. Could all scenarios described for securities lending, repo and buy-sell back theoretically apply to future forms of commodities financing transactions?

<ESMA\_QUESTION\_SFTR\_58>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_58>

Q59. Should other scenarios be considered? If yes, please describe.

<ESMA\_QUESTION\_SFTR\_59>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_59>

Q60. Would you agree that the ISIN could be used to uniquely identify some commodities used in SFTs? If yes, which one and what prerequisites would need to be fulfilled? If no, what alternative solution would you propose for a harmonised identification of commodities involved in SFTs?

<ESMA\_QUESTION\_SFTR\_60>

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<ESMA\_QUESTION\_SFTR\_60>

Q61. Would the classification as described in RTS 23 of MiFIR be the most effective way to classify commodities for the purposes of transparency under SFTR?

<ESMA\_QUESTION\_SFTR\_61>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_61>

Q62. Is there another classification that ESMA should consider?

<ESMA\_QUESTION\_SFTR\_62>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_62>

Q63. Are there transactions in which a pool of commodities is financed that the reporting needs to take into account? Please provide concrete examples.

<ESMA\_QUESTION\_SFTR\_63>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_63>

Q64. Do you agree with this basic scenario? If no, please explain what changes would need to be made to the scenario.

<ESMA\_QUESTION\_SFTR\_64>

We agree with the basic scenario for prime brokerage margin lending, but the assumption seems to be that margin lending is done on a trade-by-trade rather than a portfolio basis. This is not the case, as the portfolio will only ever have one net cash balance (either a debit or credit).

<ESMA\_QUESTION\_SFTR\_64>

Q65. Are there other entities that do not act as counterparties but can be involved in the transaction chain (e.g. brokers or intermediaries)?

<ESMA\_QUESTION\_SFTR\_65>

Occasionally triparty custodians hold the collateral but they are not counterparties in the lending process.

<ESMA\_QUESTION\_SFTR\_65>

Q66. Are there standard margin agreements used in the market? If yes, which ones? If no, are there standard elements in margin agreements in the EU that are noteworthy from a financial stability perspective and not included in the list of questions or current data tables included in Section 6.1?

<ESMA\_QUESTION\_SFTR\_66>

Prime brokerage agreements are generally bespoke per prime broker. Nevertheless, they contain similar information, in a non-standardised format, that determines the same economic outcome.

<ESMA\_QUESTION\_SFTR\_66>

Q67. Are there margin loans that do not have a fixed maturity or repayment date, or other conditions in the agreement on which full or partial repayment of the loan can be conditioned?

<ESMA\_QUESTION\_SFTR\_67>

Margin lending agreements in prime brokerage relationships do not have fixed maturity or repayment dates. Borrowers can increase (or decrease) the amount they borrow subject to a number of constraints, including the credit risk profile of the fund as determined by the prime broker and the consequential collateral required to cover such lending. For example – the value of the loan is linked to the value of assets held in the prime brokerage account. The loan value is not transaction-based, but based on an overall debit balance. If the value of the assets then reduces sufficiently to generate a margin call, the client can choose to reduce the debit balance in order to meet the call.

As term dates are not imposed on borrowers, they can repay at will. From the prime broker's perspective, the contractual terms of the loan will be contained in the prime brokerage agreement, though the loan is typically callable by the lender on demand or with a pre-agreed minimum number of days' notice.

<ESMA\_QUESTION\_SFTR\_67>

Q68. Are floating rates used in margin lending transactions? Are there specificities that ESMA should be aware of regarding interest rates in the context of margin lending transactions?

<ESMA\_QUESTION\_SFTR\_68>

Financing charges typically take the form of a floating rate benchmark with a fixed spread added to it. As this is a billing concept, there may be different benchmarks relating to different underlying currencies that make up the margin loan. The margin loan itself, however, is recorded in the fund's base currency as a single cash balance.

<ESMA\_QUESTION\_SFTR\_68>

Q69. What potential issues do reporting counterparties face regarding the reporting of margin account/credit balances?

<ESMA\_QUESTION\_SFTR\_69>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_69>

Q70. How is information regarding the market value of short positions in the context of margin lending used by the lender (if at all)?

<ESMA\_QUESTION\_SFTR\_70>



TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_70>

Q71. What kind of provisions do lenders have in place to limit or mitigate client losses from short positions?

<ESMA\_QUESTION\_SFTR\_71>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_71>

Q72. Do you foresee any issues with reporting information on SFT involving tri-party by the T+1 reporting deadline? If so, which ones – availability of collateral data, timeliness of the information, etc.? Please elaborate.

<ESMA\_QUESTION\_SFTR\_72>  
In the context of securities lending, tri-party agents do not generally report collateral allocations to the borrower until after the title transfer of the lent securities has taken place. There is no pre-allocation collateral basket or pool reporting. These allocations are therefore usually reported on the settlement date + 1 at the earliest. In addition, the collateral allocation reports generally only provide a value against the agent lender, with no specific breakdown at ISIN level or by principal lender. We see no need for a tri-party agent LEI as these agents are not a party to the trade.  
<ESMA\_QUESTION\_SFTR\_72>

Q73. Would you agree with the proposed split between the counterparty and transaction data?

<ESMA\_QUESTION\_SFTR\_73>  
We agree with the proposed split of counterparty and transaction data into different tables. However, careful consideration needs to be given to determining the most appropriate counterparty to provide accurate and timely information for these tables.  
<ESMA\_QUESTION\_SFTR\_73>

Q74. Is the reporting of the country code sufficient to identify branches? If no, what additional elements would SFT reporting need to include?

<ESMA\_QUESTION\_SFTR\_74>  
It may be problematic for firms to identify where branches of trading counterparties are located from the information held in the trading systems. Indeed, many legal agreements are signed as multi-branch agreements without specifying specific branches. If firms operate a global trading book, it may therefore not be apparent what branch location the counterparty was booked in.  
<ESMA\_QUESTION\_SFTR\_74>

Q75. Do you foresee any costs in implementing such type of identification?

<ESMA\_QUESTION\_SFTR\_75>  
Please see our reply to Q74  
<ESMA\_QUESTION\_SFTR\_75>

Q76. Would it be possible to establish a more granular identification of the branches? If yes, what additional elements would SFT reporting need to include and what would be the associated costs?

<ESMA\_QUESTION\_SFTR\_76>  
Please see our reply to Q74  
<ESMA\_QUESTION\_SFTR\_76>

Q77. What are the potential benefits of more granular identification of branches? Please elaborate.

<ESMA\_QUESTION\_SFTR\_77>  
Please see our reply to Q74  
<ESMA\_QUESTION\_SFTR\_77>

Q78. Are there any situations different from the described above where the actual transfers between headquarters and branches or between branches can be considered transactions and therefore be reportable under SFTR? Please provide specific examples.

<ESMA\_QUESTION\_SFTR\_78>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_78>

Q79. Are there any other cases which are not identified above, where the beneficiaries and the counterparties will be different? Please elaborate.

<ESMA\_QUESTION\_SFTR\_79>  
Yes.

An example would be trust structures where the trustee and the manager are the counterparty/contracting entities as they are the legal personalities of the trusts, yet the trusts are effectively the beneficiaries of the rights extended to them under the contract.

<ESMA\_QUESTION\_SFTR\_79>

Q80. Do you agree with the proposal to link the legs of a cleared transaction by using a common identifier?

<ESMA\_QUESTION\_SFTR\_80>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_80>

Q81. Could you suggest robust alternative ways of linking SFT reports?

<ESMA\_QUESTION\_SFTR\_81>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_81>

Q82. Are the different cases of collateral allocation accurately described in paragraphs 221-226? If not, please indicate the relevant differences with market practices and please describe the availability of information for each and every case?

<ESMA\_QUESTION\_SFTR\_82>

As a general observation, collateral is never collected at transaction level. Standardised master agreements (covering SFTs) all around the world include a mechanism by which the total exposure, and not individual transactions, is collateralised.

Against this background, the collateral allocation scenarios described overcomplicate the process of collateralising securities lending trades. Collateralisation is ultimately always performed on a counterparty net exposure basis, and not at trade level.

Furthermore, collateralisation only takes place once title transfer of the loan has occurred, so there will generally be a mismatch on any given day between the transaction and collateral data. Attempts to determine the relationship between trades and collateral will therefore not deliver any benefit and are likely to result in inefficient reporting and confusing output for national authorities.

All linkage of transaction data and collateral data should therefore be at counterparty LEI level, without adding any further layers of interpretation or complexity.

The definitions are slightly confusing and open to interpretation in the context of different SFTs. It appears as though collateral basket could refer to a collateral schedule for securities lending, which is more relevant to repo transactions. ISIN level information for the securities in the collateral schedule for securities lending is not available; it is just a schedule of eligible collateral that has been negotiated between the counterparties for all exposures. It is not trade specific.





Collateral pool appears to refer to tri-party securities lending. However, this again is related to the delivered collateral, not to anything available for delivery at a later date.

It is unclear where bilateral securities lending collateral is supposed to be included in any of these definitions.

Where a tri-party agent is used, the reporting of collateral by borrowers will depend on the agent providing the collateral data. As explained in our responses to previous questions, this information is generally only provided after the settlement date.

<ESMA\_QUESTION\_SFTR\_82>

Q83. Is the assumption correct that many securities lending would require the reporting of cash collateral? If no, for which other types of SFTs is the cash collateral element required? Please elaborate.

<ESMA\_QUESTION\_SFTR\_83>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_83>

Q84. Does the practice to collateralise a transaction in several amounts in different currencies exist? Please elaborate.

<ESMA\_QUESTION\_SFTR\_84>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_84>

Q85. Do you foresee any issues on reporting the specified information for individual securities or commodities provided as collateral? If yes, please elaborate.

<ESMA\_QUESTION\_SFTR\_85>

This information is potentially more granular than the data actually available. Haircuts, for instance, are usually agreed by asset class rather than by ISIN for securities lending trades, and on a portfolio basis rather than at ISIN level for margin lending. Reporting individual haircuts would involve a huge workload. Collateral annexes may have up to 30 pages listing classes of assets, and haircuts are negotiated with all counterparties. Reporting individual haircuts would inevitably generate higher costs.

The issuer LEI should not be required. This information would be virtually impossible to obtain by a counterparty to a transaction to which the issuer of the collateral is not a party. As the issuer has no reporting obligation, it has no obligation to obtain an LEI.

Availability of collateral re-use is contractually agreed at counterparty level and thus should not be associated with a given ISIN.

<ESMA\_QUESTION\_SFTR\_85>

Q86. Are there any situations in which there can be multiple haircuts (one per each collateral element) for a given SFT? Please elaborate.

<ESMA\_QUESTION\_SFTR\_86>

Yes. If collateral information is at ISIN level, each collateral element could have a different haircut.

<ESMA\_QUESTION\_SFTR\_86>

Q87. Would you agree that the reporting counterparties can provide a unique identification of the collateral pool in their initial reporting of an SFT? If no, please provide the reasons as to why this would not be the case.

<ESMA\_QUESTION\_SFTR\_87>

Ultimately, all collateralisation is performed on a counterparty net exposure basis, and not at trade level. In addition, collateralisation only takes place once title transfer of the loan has occurred, so there will generally be a mismatch on any given day between the transaction and collateral data. Attempts to

determine the relationship between trades and collateral will therefore not deliver any benefit and are likely to result in inefficient reporting and confusing output for national authorities.

All linkage of transaction data and collateral data should therefore be at counterparty LEI level, without adding any further layers of interpretation or complexity.

<ESMA\_QUESTION\_SFTR\_87>

Q88. Are there cases where a counterparties to a repo, including those executed against a collateral pool, would not be able to provide the collateral with the initial reporting of the repo trade? If yes, please explain.

<ESMA\_QUESTION\_SFTR\_88>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_88>

Q89. Are there any issues to report the collateral allocation based on the aforementioned approach? Please elaborate.

<ESMA\_QUESTION\_SFTR\_89>

Please refer to Q. 87.

<ESMA\_QUESTION\_SFTR\_89>

Q90. In the case of collateral pool, which of the data elements included in Table 1 would be reported by the T+1 reporting deadline? Please elaborate.

<ESMA\_QUESTION\_SFTR\_90>

As collateral in a securities lending transaction is not known or delivered until title transfer of the loan has taken place, none of the elements will be available for reporting by T+1.

<ESMA\_QUESTION\_SFTR\_90>

Q91. Which option for reporting of collateral would be in your opinion easier to implement, i.e. always reporting of collateral in a separate message (option 2) or reporting of collateral together with other transaction data when the collateral is known by the reporting deadline (option 1)?

<ESMA\_QUESTION\_SFTR\_91>

Since the main goal is consistency with EMIR reporting, under which both options are permitted, the same level of flexibility should be provided under the SFTR.

<ESMA\_QUESTION\_SFTR\_91>

Q92. What are the benefits and potential challenges related to either approach? Please elaborate.

<ESMA\_QUESTION\_SFTR\_92>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_92>

Q93. Do you foresee any challenges with the proposed approach for reporting updates to collateral? What alternatives would you propose? Please elaborate.

<ESMA\_QUESTION\_SFTR\_93>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_93>

Q94. Is it possible to link the reports on changes in collateral resulting from the net exposure to the original SFT transactions via a unique portfolio identifier, which could be added to the original transactions when they are reported?

<ESMA\_QUESTION\_SFTR\_94>

We do not agree with any of the options. As explained in our responses to previous questions, the key element in the collateralisation of SFTs is to cover a counterparty's net exposure.

Using UTIs or collateral pool identifiers to link collateral data with transaction data could give rise to an unnecessary volume of potentially inaccurate and misleading cross-reference identifiers that would ultimately deliver no added value to national authorities.

Recording collateral changes in relation to specific margin loans is a very complex and potentially even unfeasible process. The best approach is to report a daily aggregate margin loan exposure together with an aggregate collateral amount posted against this exposure for each counterparty.

With this in mind, all linkage of transaction data and collateral data should be at counterparty LEI level, without adding any further layers of interpretation or complexity.

<ESMA\_QUESTION\_SFTR\_94>

Q95. Do you foresee any difficulties related to the linking of the collateral report to the underlying SFTs by specifying UTIs of those SFTs in the collateral report?

<ESMA\_QUESTION\_SFTR\_95>

We do not agree with any of the options. As explained in our responses to previous questions, the key element in the collateralisation of SFTs is to cover a counterparty's net exposure.

Using UTIs or collateral pool identifiers to link collateral data with transaction data could give rise to an unnecessary volume of potentially inaccurate and misleading cross-reference identifiers that would ultimately deliver no added value to national authorities.

Recording collateral changes in relation to specific margin loans is a very complex and potentially even unfeasible process. The best approach is to report a daily aggregate margin loan exposure together with an aggregate collateral amount posted against this exposure for each counterparty.

With this in mind, all linkage of transaction data and collateral data should be at counterparty LEI level, without adding any further layers of interpretation or complexity.

<ESMA\_QUESTION\_SFTR\_95>

Q96. Are there additional options to uniquely link a list of collateral to the exposure of several SFTs to those specified? If yes, please detail them.

<ESMA\_QUESTION\_SFTR\_96>

All linkage of transaction data and collateral data should be at counterparty LEI level, without adding any further layers of interpretation or complexity.

<ESMA\_QUESTION\_SFTR\_96>

Q97. What would you deem to be the appropriate option to uniquely link collateral to the exposure of several SFTs? Are you using any pro-rata allocation for internal purposes? What is the current market practice for linking a set of collateralised trades with a collateral portfolio? Please elaborate.

<ESMA\_QUESTION\_SFTR\_97>

All linkage of transaction data and collateral data should be at counterparty LEI level, without adding any further layers of interpretation or complexity.

<ESMA\_QUESTION\_SFTR\_97>

Q98. Do you foresee any issues between the logic for linking collateral data and the reporting of SFT loan data? Please elaborate.

<ESMA\_QUESTION\_SFTR\_98>

All linkage of transaction data and collateral data should be at counterparty LEI level, without adding any further layers of interpretation or complexity.

<ESMA\_QUESTION\_SFTR\_98>

Q99. Do you agree with the description of funding sources mentioned above?

<ESMA\_QUESTION\_SFTR\_99>



We do not believe that the inclusion of funding sources is necessary as it would not help to assess financial stability.

Firms fund themselves across all products on an aggregate basis and there is no link between any funding trade and an SFT with a client.

If banks were to provide this data, there would be no exact measure so the information would have to be methodology-based. Since all prime brokers would use different proprietary methodologies, the data provided would be inconsistent and could not be used for aggregation or comparison purposes.  
<ESMA\_QUESTION\_SFTR\_99>

Q100. Are there other funding sources used in the context of margin lending?

<ESMA\_QUESTION\_SFTR\_100>

As explained in our response to Q99, we do not believe it is appropriate or useful to provide these data.

<ESMA\_QUESTION\_SFTR\_100>

Q101. What are the obstacles to lenders reporting the market value of funding sources?

<ESMA\_QUESTION\_SFTR\_101>

As explained in our response to Q99, we do not believe it is appropriate or useful to provide these data.

<ESMA\_QUESTION\_SFTR\_101>

Q102. Would reporting pro-rata amounts address some of the challenges or facilitate reporting?

<ESMA\_QUESTION\_SFTR\_102>

As explained in our response to Q99, we do not believe it is appropriate or useful to provide these data.

<ESMA\_QUESTION\_SFTR\_102>

Q103. Should the cash in the margin accounts be considered also as part of the collateral for a given margin lending transaction? Please elaborate.

<ESMA\_QUESTION\_SFTR\_103>

No. All cash values in all currencies are netted down to a single amount owing between the counterparties. If the net amount is negative, then a margin loan has taken place. If the amount is positive, then the cash is available to collateralise other exposures (e.g. short positions).

This cash should therefore be considered part of the collateral for other obligations arising in a prime brokerage account, not for margin loans.

<ESMA\_QUESTION\_SFTR\_103>

Q104. What are the metrics used (other than LTV ratios) to monitor leverage from margin lending, and more broadly to address risks related to the value of collateral? How are these calculated?

<ESMA\_QUESTION\_SFTR\_104>

Portfolio margin methodologies are used to manage the risk and limit the leverage available to clients based on their collateral portfolios across all products, including margin loans. Margin loans are not treated independently in this process.

The securities deposited as collateral will be subject to a “haircut” which defines the maximum LTV or collateral value assigned to these long securities. The securities loaned to a borrower/counterparty will bring with them a collateral requirement – i.e. an amount over and above the value of the loaned securities which the lender requires to be collateralised. These haircuts/collateral requirements are generated by proprietary margin methodologies and their output effectively sets the minimum level of own capital/equity (assets minus liabilities) that a borrower must have in the account to support the market exposures in its portfolio. Effectively, this ratio (market exposure ÷ margin requirement) defines the maximum amount of leverage permissible in the prime brokerage account.

These calculations are performed daily and, where appropriate, action is taken to ensure that the account is within these limits at the end of each day.



<ESMA\_QUESTION\_SFTR\_104>

Q105. Using these metrics, what are the current limits or thresholds used by margin lenders that will trigger a collateral action? How are these limits determined? Are there different thresholds triggering different actions? Can they vary over time, and for what reasons?

<ESMA\_QUESTION\_SFTR\_105>

If at any time the portfolio contains insufficient net collateral to secure the market exposure generated by the portfolio, the borrower/counterparty must either reduce its market exposure (which could involve a margin loan) or deliver additional collateral assets to bring the account back within limits.

<ESMA\_QUESTION\_SFTR\_105>

Q106. What kind of collateral actions can be triggered by crossing these limits or thresholds? Please describe the actions, their impact on the metrics described in Question 13, and the potential associated changes in limits or thresholds.

<ESMA\_QUESTION\_SFTR\_106>

If at any time the portfolio contains insufficient net collateral to secure the market exposure generated by the portfolio, the borrower/counterparty must either reduce its market exposure (which could involve a margin loan) or deliver additional collateral assets to bring the account back within limits.

If the borrower/counterparty does not take such action, contractual remedies are available to the lender to ensure its exposure is managed. Such remedies include default rights or the ability for the lender to take appropriate action on the borrower's behalf.

<ESMA\_QUESTION\_SFTR\_106>

Q107. Are there any other important features, market practices or risks that you would like to bring to our attention in the context of margin lending?

<ESMA\_QUESTION\_SFTR\_107>

Paragraphs 248 – 250 provide a good summary of the characteristics of prime brokerage margin lending.

The other key feature to note is that a prime brokerage account consists of a pool of assets (securities and/or cash) over which the prime broker/lender has a security interest and which secures an aggregate amount of liabilities (borrowed securities or cash). A counterparty's cash position will either be net positive or net negative and will then fall into the asset or liability bucket.

<ESMA\_QUESTION\_SFTR\_107>

Q108. Do you have any alternative proposals for reporting information related to funding sources that might reduce the burden on reporting entities?

<ESMA\_QUESTION\_SFTR\_108>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_108>

Q109. Do you agree with the collateralisation and margin lending practices described above? Are there instances where margin loans are not provided (or haircuts applied) on a portfolio basis?

<ESMA\_QUESTION\_SFTR\_109>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFTR\_109>

Q110. What are the potential obstacles to reporting information regarding the individual securities set aside in margin accounts by the lender?

<ESMA\_QUESTION\_SFTR\_110>

Individual securities are not set aside in margin accounts. The margin loan is a function of all the assets held in the client's trading portfolio. If the portfolio value is reported at ISIN level, this will lead to a substantial volume of reporting without delivering any added value. Reporting the portfolio by asset class would be a more suitable approach and consistent with the FSB proposal.



<ESMA\_QUESTION\_SFTR\_110>

Q111. Would you agree that in the context of margin lending the entire collateral portfolio, i.e. both cash and securities, would require reporting? If no, please explain.

<ESMA\_QUESTION\_SFTR\_111>

There is no cash collateral associated with margin lending.

As stated in our response to Q103, a net positive cash balance means no margin lending is taking place.

<ESMA\_QUESTION\_SFTR\_111>

Q112. What are the obstacles to the reporting of reuse of collateral for transactions where there is no transfer of title? What are the current market practices aimed at mitigating risks from collateral re-use specifically in the context of margin lending?

<ESMA\_QUESTION\_SFTR\_112>

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<ESMA\_QUESTION\_SFTR\_112>

Q113. What options exist to link collateral that is re-used to a given SFT or counterparty? Please document the potential issues.

<ESMA\_QUESTION\_SFTR\_113>

Collateral reuse cannot be calculated at transaction level. Nor is it possible to calculate it at counterparty level due to the fungible nature of the assets used by firms. The only way that collateral reuse can be calculated is at entity (collateral receiver), ISIN level. This must be done across all SFTs for the same ISIN.

<ESMA\_QUESTION\_SFTR\_113>

Q114. In which cases can the re-use be defined at transaction level?

<ESMA\_QUESTION\_SFTR\_114>

In no cases.

<ESMA\_QUESTION\_SFTR\_114>

Q115. Do you see other ways to calculate the collateral re-use for a given SFT?

<ESMA\_QUESTION\_SFTR\_115>

No, since any calculation that is performed can only be done at entity (receiving counterparty) ISIN level.

Any attempt to calculate it at another (e.g. counterparty) level will distort the data and make it unusable due to double counting of information in the calculation.

<ESMA\_QUESTION\_SFTR\_115>

Q116. Are there any circumstances in which the re-use percentage applied at entity level could not be calculated for a given security (e.g. per ISIN)?

<ESMA\_QUESTION\_SFTR\_116>

The information would be needed at ISIN level to perform the calculation at entity level. Thus, as per our answer to the previous question, all reuse calculations can be performed at entity ISIN level.

With regard to paragraph 263, the percentage amount calculated will be relevant per ISIN but not per SFT. If an attempt is made to apply this percentage at transaction level, it will distort the data due to double counting of information in the calculation.

<ESMA\_QUESTION\_SFTR\_116>

Q117. Which alternatives do you see to estimate the collateral re-use?

<ESMA\_QUESTION\_SFTR\_117>

We believe that the suggested formula for estimating reuse could be used at entity ISIN level but not at counterparty level. We therefore strongly feel that these data need to be provided independently of the counterparty data.

<ESMA\_QUESTION\_SFTR\_117>

Q118. When the information on collateral availability for re-use becomes available? On trade date (T) or at the latest by T+1?

<ESMA\_QUESTION\_SFTR\_118>

The ability to reuse collateral is based on contractual terms and is not specified at ISIN level. The contractual terms apply to all the collateral provided, not to specific assets. The ability to reuse collateral is therefore not relevant to the trade itself or the trade date.

<ESMA\_QUESTION\_SFTR\_118>

Q119. Is it possible to automatically derive the collateral re-use in some cases given the nature of the SFT (meaning based on the GMRA, GMSLA or other forms of legal agreements)? If yes, please describe these cases and how the information could be derived. Please explain if deviations could be drafted within legal agreements to deviate from the re-usability.

<ESMA\_QUESTION\_SFTR\_119>

It is not possible to automatically derive the collateral reuse for all types of SFTs due to the fact that all legal agreements may contain bilaterally negotiated terms. It would therefore not be correct to assume that all are the same in this respect.

<ESMA\_QUESTION\_SFTR\_119>

Q120. Do you agree with the rationale for collection of information on the settlement set out in this section?

<ESMA\_QUESTION\_SFTR\_120>

Where a CSD acts as a counterparty to a transaction by virtue of its lending activity, this will be reported as such. Reporting additional settlement information would not add value and the suggested information would be very difficult to extract from data systems.

<ESMA\_QUESTION\_SFTR\_120>

Q121. Do you consider that information on settlement supports the identification and monitoring of financial stability risks entailed by SFTs?

<ESMA\_QUESTION\_SFTR\_121>

We do not think that additional settlement information relating to SFTs is required or would provide any additional insight into financial stability.

<ESMA\_QUESTION\_SFTR\_121>

Q122. Do you agree with the approach to identify the settlement information in the SFT reports?

<ESMA\_QUESTION\_SFTR\_122>

This information is not readily available in the system and would not add any value. We would therefore not support the inclusion of these data elements.

<ESMA\_QUESTION\_SFTR\_122>

Q123. Do you envisage any difficulties with identifying the place of settlement?

<ESMA\_QUESTION\_SFTR\_123>

This information is not readily available in the system and would not add any value. We would therefore not support the inclusion of these data elements.

<ESMA\_QUESTION\_SFTR\_123>

Q124. Are there any practical difficulties with identifying CSDs and indirect or direct participants as well as, if applicable, settlement internalisers in the SFT reports? Would this information be available by the reporting deadline? Please elaborate.

<ESMA\_QUESTION\_SFTR\_124>

This information is not readily available in the system and would not add any value. We would therefore not support the inclusion of these data elements.

<ESMA\_QUESTION\_SFTR\_124>



Q125. Will this information be available by the reporting deadline? What are the costs of providing this information?

<ESMA\_QUESTION\_SFTR\_125>

As contractual information is at counterparty level, there is no link to the trade reporting deadline. This information is usually stored independently of trading systems. Thus resources would need to be spent on infrastructure in order to be able to add this information to trade data as is proposed in the reporting table.

The information for fields 11, 12 and 13 in the transaction reporting table would not be readily available or easily provided within the required timeframes.

<ESMA\_QUESTION\_SFTR\_125>

Q126. What other data elements are needed to achieve the required supervisory objectives? Please elaborate.

<ESMA\_QUESTION\_SFTR\_126>

It is not clear whether providing any master agreement information will achieve the desired supervisory objectives. All it would do is confirm the type of agreement that the bilateral negotiations are based on.

<ESMA\_QUESTION\_SFTR\_126>

Q127. Do you agree with the proposed categories of trading methods to be reported by SFT counterparties?

<ESMA\_QUESTION\_SFTR\_127>

These trading methods do not apply to all SFTs and it may be challenging to add this information to each trade.

As ESMA itself indicates in the discussion paper, these methods are from an ICMA survey and are relevant in the repo market.

Securities lending trades are primarily agreed by telephone or electronic messages (e.g. Bloomberg, email etc.). There are some matching platforms that will take files from borrowers and lenders to match supply and demand, but no trading is automatically performed on these platforms; all trades are agreed bilaterally between the counterparties involved.

Margin lending activity is primarily based on telephone or electronic messaging communication.

<ESMA\_QUESTION\_SFTR\_127>

Q128. Are there any other methods of trading that are not covered?

<ESMA\_QUESTION\_SFTR\_128>

Please see our reply to Q127

<ESMA\_QUESTION\_SFTR\_128>

Q129. Do you agree with the proposed types of validations? Would you include any further validations? If so which ones? Please elaborate.

<ESMA\_QUESTION\_SFTR\_129>

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<ESMA\_QUESTION\_SFTR\_129>

Q130. Do you agree with the proposed scope of the reconciliation process? Should trades expired or terminated more than a month before the day on which reconciliation takes place be included in the reconciliation process? Please elaborate.

<ESMA\_QUESTION\_SFTR\_130>

No, expired and terminated trades older than one month should not be included. If reporting works correctly, such trades have been reconciled before and breaks have been clarified/fixed already.

<ESMA\_QUESTION\_SFTR\_130>



Q131. What is the earliest time by which the reconciliation process can be completed? If not, please indicate what other characteristics need to be included? Please elaborate.

<ESMA\_QUESTION\_SFTR\_131>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_131>

Q132. Do you foresee issues with following the EMIR approach on reconciliation of data for SFT? What other approaches for reconciliation of transactions exist? How many data elements are reconciled under those approaches? What is the timeframe of reconciliation under those approaches? Please elaborate.

<ESMA\_QUESTION\_SFTR\_132>  
The focus should be on synchronising reporting in order to reduce the workload at TRs and reporting parties and reuse existing workflows as much as possible.  
<ESMA\_QUESTION\_SFTR\_132>

Q133. What are the expected benefits from full reconciliation? What are the potential costs from TR and counterparty perspective to adopt a full reconciliation approach? In terms of the matching of data, which of the data fields included in Section 6.1 can be fully reconciled and for which ones certain degrees of tolerance has to be applied? Please provide concrete examples. Please elaborate.

<ESMA\_QUESTION\_SFTR\_133>  
There are potentially a lot of data fields in the reporting data for which it will not be possible to fully reconcile due to availability issues and different interpretations across the market.

Benefits from full reconciliation will be offset by disadvantages. Only the essential fields of a trade should be reconciled. Experience with EMIR shows that the downside of matching too many fields is low matching rates due to inconsistent interpretation/ standards at different TRs. Only data which can be clearly agreed between counterparties should be reconciled.

<ESMA\_QUESTION\_SFTR\_133>

Q134. Do you foresee any potential issues with establishing a separate reconciliation process for collateral data? What data elements have to be included in the collateral reconciliation process? Alternatively, should collateral data be reconciled for each collateralised SFT individually? What would be the costs of each alternative? Please elaborate.

<ESMA\_QUESTION\_SFTR\_134>  
We agree that the reconciliation of collateral data should be completed separately from the reconciliation of common loan data. Additional time is required to complete further analysis on collateral data elements that can be reconciled.  
<ESMA\_QUESTION\_SFTR\_134>

Q135. What additional feedback information should be provided to the reporting counterparties? What should be the level of standardisations? What would be the benefits of potential standardisation of the feedback messages? Do you agree with the proposed timing for feedback messages?

<ESMA\_QUESTION\_SFTR\_135>  
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<ESMA\_QUESTION\_SFTR\_135>

Q136. Would you be favourable of a more granular approach for public data than the one under EMIR? Would you be favourable of having public data as granular as suggested in the FSB November 2015 report? What are the potential costs and benefits of such granular information? Please elaborate.

<ESMA\_QUESTION\_SFTR\_136>  
No, we see no benefit in increasing the granularity of data provided by TRs. In addition, we are concerned about data protection issues.



<ESMA\_QUESTION\_SFTR\_136>

Q137. In terms of criteria for aggregation, which of the following aspects ones are most important to be taken into account – venue of execution of the SFT, cleared or not, way to transfer of collateral? What other aspects have to be taken into account for the purposes of the public aggregations? Please elaborate.

<ESMA\_QUESTION\_SFTR\_137>  
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<ESMA\_QUESTION\_SFTR\_137>

Q138. Do you foresee any issues with publishing aggregate data on a weekly basis? Please elaborate.

<ESMA\_QUESTION\_SFTR\_138>  
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<ESMA\_QUESTION\_SFTR\_138>

Q139. At which point in time do you consider that the additional data elements regarding the reconciliation or rejection status of an SFT will be available? What are the potential costs of the inclusion of the above mentioned additional data elements? What other data elements could be generated by the TRs and provided to authorities? Please elaborate.

<ESMA\_QUESTION\_SFTR\_139>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_139>

Q140. Do you consider that all the relevant data elements for generation of the above reports will be available on time? What are the potential costs of the generation of above mentioned transaction reports? What are the benefits of the above mentioned transaction reports? What other transaction reports would you suggest to be provided by the TRs? Please elaborate.

<ESMA\_QUESTION\_SFTR\_140>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_140>

Q141. Do you consider that all the relevant data elements for calculation of the above reports will be available on time?

<ESMA\_QUESTION\_SFTR\_141>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_SFTR\_141>

Q142. What are the potential costs of the generation of above mentioned position reports? other reports would you suggest to be provided by the TRs? Please elaborate.

<ESMA\_QUESTION\_SFTR\_142>  
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Q143. Do you consider that there should be one position report including both reconciled and non-reconciled data or that there should be two position reports, one containing only reconciled data and the other - one only non-reconciled data? What are the potential costs of the separation of above mentioned position reports? What are the benefits of the separation above mentioned position reports? Please elaborate.

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Q144. Do you foresee any technical issues with the implementation of XSD in accordance with ISO 20022? Do you foresee any potential issues related to the use of same cut-off time across TRs? Do you foresee any drawbacks from establishing standardised xml template in accordance with ISO 20022 methodology for the aggregation and comparison of data? Please elaborate.

<ESMA\_QUESTION\_SFTR\_144>

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Q145. Further to the aforementioned aspects, are there any other measures that have to be taken to avoid double counting? Please elaborate.

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