ICMA
European Repo and Collateral Council

ESMA Call for evidence on a comprehensive approach for the simplification of financial transaction reporting

(ICMA response)

19 September 2025

Introduction

ICMA welcomes the opportunity to respond to *ESMA's Call for evidence on a comprehensive approach for the simplification of financial transaction reporting*. We are responding to this Consultation Paper on behalf of ICMA's European Repo and Collateral Council (ERCC) which was established in 1999 as the main representative body for the cross-border repo and collateral market in Europe. The ICMA ERCC currently has around 120 members, comprising the majority of firms actively involved in this market, including sell-side and buy-side institutions as well as all the major market infrastructures and other service providers.

Among its many focus areas, the ERCC has been instrumental over the past years in leading the industry's successful efforts to implement SFTR Reporting in Europe, which has been coordinated through the ERCC's SFTR Task Force. ICMA's response is therefore focused on the SFTR-related aspects of this consultation. As a first general remark, we note that many of the proposals in the consultation seem to have been drafted mainly from the perspective of EMIR and MiFIR reporting and are therefore not always relevant from an SFTR perspective.

General comments

This consultation focuses on inconsistent and duplicative reporting between regulations, but ICMA believes that, in the first instance, it would make more sense to focus on steps to achieve simplification and burden reduction within each regulation, as there is ample scope for such improvements. Addressing these internal inefficiencies would achieve more immediate and cost-effective relief for market participants.

With that in mind, ICMA, along with members of its SFTR Taskforce, has undertaken a comprehensive review of SFTR reporting requirements and put together a detailed list of proposed improvements based on issues flagged by members over the years, originally with the intention of feeding into the SFTR Refit exercise. The key proposal from the review is listed below and described in more detail in the attached ICMA review.

That said, in parallel to pursuing those structural improvements to SFTR, we strongly encourage ESMA to develop and set out a long-term vision for a more efficient and consistent single digital reporting framework, as well as a Roadmap setting out a realistic and credible implementation plan for such a framework. In our view, such a vision for a future reporting framework needs to go beyond merging the different legal requirements into a single reporting framework as proposed under option 2 of this consultation. More important than the legal form is that any future reporting framework has to be based on a common agreed data model, such as the Common Domain Model (CDM), which has been developed jointly by ICMA, ISDA and ISLA over the past years. We hope that the CDM can serve as a key building block for a more transparent and efficient future reporting setup and we are keen to collaborate closely with ESMA and other stakeholders to develop and implement such a framework.

ICMA European Repo and Collateral Council

Compliance Costs

For this consultation specifically, ICMA conducted a survey ("the Questionnaire") to collect input from member firms on the cost of compliance with the reporting requirements under EU SFTR. The purpose of this exercise was to collect quantitative evidence to help illustrate the operational burden firms face under SFTR and to identify which of the proposed structural improvements would most effectively achieve the stated goals of simplification and burden reduction. Responses were provided on a best-efforts basis.

Given the short time available, we only received a very limited set of responses from members, so the figures reported cannot be taken as representative for the wider industry. However, as the responses included a good mix of different firms and the input provided has been meaningful, we would like to share the high-level findings with ESMA.

The average reported one-off implementation cost of SFTR was €12.7 million, covering all the relevant cost lines such as familiarisation with obligations, recruitment, training, legal advice, consultancy, project management and investment. Respondents noted that the cost estimates for SFTR are generally likely to be lower relative to those reported for other similar reporting regimes such as MiFIR and EMIR, despite the added complexity of SFTR. This is largely attributed to the fact that SFTR has experienced fewer structural changes, as its formal review has been long overdue (whereas the Refit costs may have been considered as one-off costs for other regimes). Respondents also noted the relatively high reliance on third party vendors in the SFTR space, relative to other reporting regimes, which may also have contributed to lower, although still very significant, initial costs. Finally, we would note that the cost estimate does not take into account the extensive cross-industry work led by the relevant trade associations which was central to the successful implementation and involved the preparation of detailed best practices and related materials which have continued to evolve ever since.

In terms of ongoing costs, the average annual operating cost for complying with EU SFTR is reported to be €4.6 million. In order to scale this to the size of the business of the respective respondents, the overall cost translates to an average cost per SFTR report between €0.17-0.75.

Respondents highlighted several key cost drivers: dual-sided reporting under SFTR and EMIR stood out as a key driver, followed by duplicative reporting of the same derivatives under EMIR and MiFIR, duplicative reporting of reference data, inconsistent terminologies and definitions across regimes, frequent regulatory changes, and the lack of phased or coordinated implantation across reporting frameworks. In addition, firms pointed out that the current requirements for back-dated reporting are particularly burdensome.

In terms of burden reduction, respondents identified the removal of dual-side reporting and associated reconciliation requirements as the most impactful of the proposed options. Simplifying back-dated reporting followed closely, with further support for measures such as direct reporting from financial market infrastructures (FMIs), centralised reference data enrichment by ESMA and a removal of REUU reporting.

In terms of ICMA's concrete suggestions for structural reforms to the SFTR requirements, we would highlight the following key points. We believe that these changes would significantly simplify the reporting regime and reduce operational costs without compromising the quality or granularity of data available to regulators. Rather, these changes are expected to enhance data consistency and usefulness as well as reduce misreporting.

Removal of dual-sided reporting and reconciliation requirements

Under SFTR, both parties are required to report SFTs (dual-sided reporting), with the exception of mandatory delegated reporting obligations on certain parties with respect to UCITS, AIFs and small non-financial corporates. Dual-sided reports of SFTs are subject to reconciliation in respect of up to 96 data fields, of which, 83 are subject to a zero tolerance of mismatches. Dual-sided reporting and reconciliation under SFTR have proven to be one of the most operationally burdensome aspects of the regime, with frequent breaks stemming from the highly restrictive tolerances, timing mismatches, booking differences, differences in the interpretation by counterparties of what is meant by optional conditionality (where one party may not see the need to report) and other non-material discrepancies. The remediation of breaks absorbs significant resources. Moreover, many reconciliation breaks cannot be rectified because of the obstacles to back-dated reporting. In addition, the validity of dual-sided reporting is undermined by the industry's dependence on a single vendor for enrichment with reference data, which means that an error by that vendor has a broad impact. Yet, there is no evidence that dual-sided reporting and reconciliation have made a meaningful difference in improving data quality. And it does not ensure accuracy. The removal of dual-sided reporting and reconciliation would therefore be a welcome step. There are a number of alternatives, including intelligently-targeted audits, as used in other jurisdictions, focused on the most active firms or those with higher-risk strategies. We believe that substantial improvements could be realised by repairing data definitions and providing better reporting guidance. Auditing could be enhanced by the application of controlled AI to identify egregiously poor reporting. The task could also be facilitated by exempting firms below a threshold from reporting at all. A structural improvement in the quality of reporting could be achieved by switching the reporting of CCP-cleared and tri-party repo from firms to infrastructures (see next point).

Direct reporting by Financial Market Infrastructures (FMIs) for CCP-cleared and tri-party repos

Transactions cleared through CCPs or managed by tri-party agents could be reported directly by the relevant FMIs, as they already possess all the necessary data for both counterparties in a complete and standardised format, making them the authoritative source and best positioned to submit complete, accurate and timely reports without reconciliation. This is already the approach taken in the US. This solution would significantly reduce the reporting burden for market participants engaged in CCP-cleared or tri-party repo. It will also ensure data consistency, reduce breaks and eliminate duplication. It would also be a cost-effective and quick solution, which might reduce the number of new trades reported by firms by over 80%. Furthermore, it would also allow the cessation of the requirement for firms to report CCP margins (MARU reports), which are anyway sourced from CCPs. In these respects, this proposal is the most dramatic way of decreasing overlaps to reduce reporting burdens (one of the four key principles of this consultation).

Centralised reference data enrichment by ESMA

In contrast to regimes like MiFIR, SFTR imposes extensive reference data requirements on reporting counterparties, including fields such as issuer LEI and jurisdiction, security classification, credit quality, maturity and currency, even though these attributes could be derived from the ISIN through established databases. Where firms source these data themselves, differences in interpretation give rise to inconsistency and, given restrictive or zero reconciliation tolerances, these lead to significant reporting breaks. On the other hand, where firms find that the overhead cost of maintaining reference data cannot be justified solely for SFTR reporting, they buy in delegated enrichment services from third-party vendors, which are highly variable in quality and, where incorrect, propagate mistakes across many firms. It would be far more efficient and accurate, and less costly overall, if ESMA were to centrally enrich this data, rather than requiring every reporting party to do so independently.

Establish a simple and effective solution for back-dated reporting

Under the current SFTR framework, back-dated reporting is severely constrained and complicated due to the way TRs are allowed to process the reports - updates to the Trade State Report (TSR) are applied based on Reporting Timestamp, not the Event Date. This creates the "latest is greatest" issue, where a late report of an earlier event can overwrite a later event, leading to sequencing errors. To avoid this, TRs are instructed to ignore reports submitted more than one business day after the event date when updating the TSR. While this prevents overwrites, it also blocks valid corrections, leaving many TSRs permanently inaccurate.[1] ESMA should establish a simple solution for back-dated reporting beyond one day. Importantly, in order to avoid creating additional burden for firms, there needs to be an automatic process in place at TR level to reflect those corrections in all subsequent reports. This would restore TSR accuracy without overburdening firms or disrupting current reporting workflows. In addition, according to the Questionnaire, firms highlighted that resubmitting all the reporting fields to correct an error on one field is burdensome and expressed support for limiting the data needed for back-dated reporting.

Removal of MiFIR reporting for repos conducted with EU central banks

Currently, SFTs conducted with EU central banks are treated inconsistently between SFTR and MiFIR. While SFTR explicitly exempts such transactions under Article 2(3), MiFIR includes these transactions in its reporting obligations under Article 2(5) of its Delegated Regulation (EU) 2017/590, creating a direct conflict. As further explained in ICMA's response [link] to ESMA's latest consultation on MiFIR transaction reporting (October 2024), the current

[1] For a more detailed description of the underlying issues and current best practice, please see recommendation 9.23 in ICMA's SFTR Guide.

regulatory discrepancy creates legal ambiguity and imposes operational complexities, inefficiencies and extra costs for market participants. Moreover, MiFIR is structurally unsuited to capture the characteristics of SFTs, meaning that MiFIR reports of SFTs are not meaningful and intrinsically provide minimal supervisory value. We, therefore, strongly recommend that ESMA amend Article 2(5) of Delegated Regulation (EU) 2017/590 to fully and consistently exclude all SFTs from MiFIR transaction reporting, as under UK SFTR. This change would be a direct example of how to meet the key principle of decreasing overlaps to reduce the reporting burden.

Removal of re-use (REUU) reporting requirements

The current re-use reporting under SFTR compels most firms to submit estimates of re-used collateral using a simplistic pro rata formula. The amount derived from this estimation is largely uninformative and does not reflect the actual market practices, offering little analytical value in regulatory studies or risk assessments. The value of the result does not justify the reporting effort. On the other hand, the detailed transaction-level data reported on both the loan and collateral allow re-use to be inferred (as it has been in research papers). Removing the re-use requirement would significantly reduce reporting burden without compromising supervisory insight.

Removal of reporting for settlement fails

For repo transactions, failed delivery does not alter the economic terms of the transaction, that is, interest accrual and contract start/maturity. The obligation to report settlement fails has also caused disproportionate reporting burdens, as an ad hoc method of reporting had to be devised after the launch, which interferes with the post-trade processes of firms (fails have to be reported as extensions of maturity, which then require automatically-generated settlement instructions to be cancelled). Moreover, the adjustment required to report fails cannot be distinguished from the data. These events are anyway already monitored through other post-trade regimes such as CSDR.

Consolidation of REPO and SBSC reporting

There is no need for a separate reporting template for buy/sell-backs, given that the sole substantive difference from a repurchase transaction is what happens when there is an income payment on collateral, which is not directly reportable under SFTR and is not a matter of systemic risk. The buy/sell-back template should therefore be removed, and all repos should be reported using the current template for repurchase transactions. Moreover, buy/sell-backs cannot be properly reported because SFTR incorrectly assumes they are not quoted in terms of the repo rate but fails to provide realistic alternative fields (in practice, many firms nevertheless do report the repo rate for buy/sell-backs).

Balancing the cost and benefit of current reporting requirements and future changes

In line with the key principle of balancing cost and benefit, we urge ESMA to conduct a rigorous cost-benefit reassessment of SFTR in its current form, both in its current form and any future changes, which should be limited to those offering demonstrable benefits. The cost to the industry and operational burden of reporting is substantial, but the data being collected appears to be underutilised by regulators (most official research on repo markets in the EU is based on data sourced from the ECB's MMSR). There is therefore a strong case for pruning existing data fields from SFTR, which would not violate the key principle of preserving the information scope of reporting regulations, given that the data fields to be culled do not yield meaningful data. Unfortunately, regulators do not appear to have considered the cost of reporting to be relevant and are unsighted as to the magnitude, which suggests that the balance of cost and benefit has not been a serious consideration in the past (in contrast to the US, where regulators are required to estimate likely costs).

Equivalent regulation in other jurisdictions provides some valuable lessons. For example, the OFR in US requires only 32 fields for non-centrally cleared bilaterally repos, compared to the 90 loan and collateral fields required by SFTR (on top of which, there are the re-use and margin fields). In addition, OFR sets turnover thresholds to limit the scope to entities posing systemic risk, whereas SFTR applies broadly, capturing firms whose activities pose negligible systemic impact. All of these undermine the competitiveness of EU's financial sector. A recalibration of SFTR's data requirements and scope would help reduce burden significantly.

The need for a strategy starting with quick simplifications within SFTR but with a clear long-term goal of fundamentally harmonising reporting requirements on the basis of a common data model for all regulations

As explained above, the logical objective of a programme of simplification of reporting requirements for SFTs and derivatives must be a single reporting regime based on a common data model that can describe all financial instruments and transactions. Ideally, this should be based on the Common Domain Model (CDM) being developed by ICMA, ISLA and ISDA, which reflects industry expertise, insight and experience. Such a concept would support the idea of direct digital reporting and data-pulling by regulators as opposed to data-pushing by firms. This objective is beyond the horizon of this consultation, but it should nevertheless frame the actions inspired by the consultation, so as to help guide the development of reporting technology and not incur future restructuring costs.

We would therefore recommend that a long-term strategy be laid down. This could start with immediate gains, such as delineation of existing reporting requirements as proposed in Option 1a (but including SFTR). This could be achieved as part of an SFTR Refit, which could also resolve the multiple issues identified within that regulation that are principal burdens for reporting firms and might include the delegation of reporting of CCP-cleared and tri-party repo to the FMIs. Further steps towards a reporting regime based on a common data model should be sketched out and elaborated into a strategic roadmap. As suggested above, the work on such a roadmap should be done in parallel to the SFTR Refit and could start immediately.

3 Key issues related to multiple regulatory regimes with duplicative or inconsistent requirements

Q1 Do stakeholders agree with the description of the key challenges outlined above? Is there any other issue linked to multiple regulatory regimes with duplicative or inconsistent requirements that is not reflected in this section? Out of the 9 sources of costs identified in this section and the ones that you may add, what are the three main cost drivers in your view?

Of the key challenges outlined in the consultation paper, we would agree with most of the challenges set out in the paper. However, from the perspective of the SFTR reporting community, we would repeat that there is more scope for simplification and burden reduction within each regulation than between them.

In addition, we would add that most of our Taskforce members are global operations and a major concern is the lack of alignment between the national reporting standards (one of the four key principles of this consultation), despite co-ordination in forums such as the FSB. Lack of consistency between national requirements undermines the ability of regulators to understand cross-border flows and fragments firms reporting operations, adding to the cost of reporting. Jurisdictions offering simpler, more targeted reporting requirements (such as the OFR's SFT-2 regime in the US) help to make themselves a more attractive business location.

The most significant cost drivers in the view of the member firms of ICMA's SFTR Taskforce are:

- Dual-sided reporting and reconciliation.
- The degree of interpretation required to populate reports, due to the inadequate nature of the data field definitions and guidance (see the attached ICMA Review), which compels firms to seek expert advice – increased staffing and consultancy costs. Taskforce members noted the plethora of guidance in the form of RTS, ITS, Guidelines, Final Reports and Q&A, and the need for the industry to nevertheless develop its own 345-page set of recommendations for repo and another sizeable set for securities lending.
- The need to maintain historic data models to answer queries made after changes to the reporting requirements. This will become acute after major structural changes of the sort being explored in this consultation.
- The need to make full reports for modifications and corrections, rather than delta reports.
- The inability to make back-dated reports more than 24 hours after an event. This and the lack of official guidance has consumed a huge amount of operational resource in reporting firms and has undoubtedly degraded data quality.

More specifically, on the drivers listed by ESMA in the paper, we would note:

1.1 **Frequent regulatory changes and lack of flexibility to enable a phased implementation, synchronisation and coordination of the changes in the different reporting regimes.**

- **Frequent changes should certainly be avoided.** Major exercises such as Refits of the reporting regulations need to be sequenced to avoid overstretching reporting resources in firms. ESMA needs to share information on likely medium-term changes (in the spirit of this consultation) and their approximate scheduling, to improve firms' ability to plan ahead. This is not a request for precise information but for some indication of when extra resources will likely need to be mobilised. ESMA will have medium-term plans. The industry should be given some insight, however qualified by uncertainty. **Short implementation lead-times** are a major problem not identified in the review. Firms need to be helped to plan for future changes by being given lead-times that fit their annual budgetary cycles. Rather than a fixed period after publication of the Level 1 or 2 regulations, the deadline should be fixed with reference to Level 3 documents, which are essential for implementation.
- In SFTR, rule changes should be accompanied by **XML schema changes**. An example of the failure to do this was option to separate loan and collateral reporting in CORR reports.
- ESMA assumes that a structural review is likely to lead to less frequent change. However, this may not be the case especially under Option 2. Currently, changes to each reporting regime are handled separately. If all regimes are merged into a single unified template, a modification in one regime would trigger changes across the entire framework, potentially increasing the frequency and complexity of updates.

1.2 **Duplicative reporting of the same derivative instruments under MiFIR, EMIR, and REMIT**

- We reiterate our request to consistently remove all SFTs from the scope of MiFIR transaction reporting (see our response to Q3 for details).

1.3 **Different terminology and definitions within different reporting regimes**

- Different terminology and definitions are indeed an unnecessary problem and should be avoided.
- However, the bigger problem is fields which: do not reflect the reality of markets (making reporting impossible and/or meaningless); are redundant and dysfunctional data fields; are based on poor or inaccurate definitions; and are unclear or lack reporting guidance. These problems are listed and described in the attached ICMA review.

1.4 **Requirements to report both transaction-level and position-level data under EMIR, SFTR, and MiFIR commodities position reporting.**

- Following clarification by ESMA that "transaction-level" reporting means Trade Activity Reports and "position-level" reporting means Trade State Reports, we would strongly support a move to position-level reporting , which would greatly simplify daily reporting requirements and reduce the reporting burden. It would not reduce the regulatory value of SFTR data for the monitoring of systemic risk and market behaviour, as this is based on Trade State Reports. However, it would require the removal of the obstacles to back-dated reporting to change Trade State Reports as described in the General Comments.

1.5 **Dual-sided reporting obligation under EMIR and SFTR**

As noted in the General Comments, dual-sided reporting and reconciliation under SFTR have proven to be one of the most operationally burdensome aspects of the regime and there is no evidence that they have materially improved data quality. If dual-sided reporting requirements were removed, it would be essential to clearly define which counterparty is responsible for reporting (eg collateral-giver). Mandatory delegation to one of the parties to report for both would add to the overall burden of reporting, as both sides would still have to agree the contents of the report. The need for dual-sided reporting and reconciliation of most transactions would be automatically and instantly removed by moving to reporting by FMIs (see the answer to Q2).

1.6 **Intragroup derivative reporting**

- Not relevant to SFTR.

1.7 **Reference data reporting duplications**

- Not relevant to SFTR.

1.8 **Different reporting channels across MiFIR, EMIR, SFTR, and REMIT.**

- From an SFTR perspective, the current reporting channel setup works well and should not be changed. If there is a need for alignment across regulations, it would seem more sensible to bring other regulations into line with the SFTR setup.

1.9 **Duplication of IT systems and processes**

- Firms tend not to duplicate internal systems to feed different reporting regulations, given that reporting regulations are --- like internal systems --- currently largely delineated by type of instrument. Duplication of IT systems and processes was not identified as a major concern by the Taskforce on the basis that the fundamental differences between SFTs and derivatives means that separate systems are natural.
- If reporting regulations were combined, this would not change the internal organisation of data and systems in firms, but it would require changes to combine reporting streams.

4 Identification of simplification options

4.1 Key principles for all options

Q2 Do stakeholders agree with the proposed principles and related description? Is there any other aspect/principle that should be considered?

- The **principle of preserving information scope** should be subject to the proviso that "Gaps should be assessed and addressed, based on actual use of data (i.e. data that is costly to produce and not used should not be collected)." (footnote 29). There is relatively little (public) evidence of SFTR data usage by the authorities in general and there is strong evidence that some fields do not provide meaningful information (see the ICMA review). These should be removed.
- **Decreasing overlaps to reduce the reporting burden**. This key principle is less important than simplification and burden reduction within SFTR. Addressing internal inefficiencies would achieve more immediate and cost-effective relief for market participants.
- The principle of **ensuring global alignment** suggests considerable scope for simplification and for ensuring that reporting requirements do not reduce the attractiveness of the EU as a place for business. There is a stark contrast between SFTR and the equivalent regulation in the few other jurisdictions to have a dedicated SFT reporting regime. In particular, the SFT-2 regulation of the Office of Financial Research in the US requires only 30 fields for bilaterally-cleared and non-triparty repo, compared to the 84 loan and collateral fields required by SFTR (on top of which, there are the re-use fields). The estimated annual cost of reporting under SFT-2 is a mere USD 99,076, compared to an average of EUR 5.1 million per year for EU SFTR, as indicated by the Questionnaire..
- The **balance of cost and benefit** principle is the most important. There is currently a severe asymmetry in which the cost to firms is far higher than the benefit to the regulator in terms of the utility of SFTR data. There is therefore a need to conduct a rigorous cost-benefit reassessment of SFTR in its current form and the Commission's simplification and burden reduction initiative provides a unique opportunity for such an assessment. Similarly, this principle should also apply to any future changes, which should be limited to those offering demonstrable benefits.

4.2 Simplification options

Option 1a

Q3 What are the key advantages of Option 1a and how do these benefits address the issues in section 3?

- We noted that Option 1a does not cover SFTR. However, we would like to point out the overlap between SFTR and MiFIR in the case of SFTs with members of the ESCB. It is not appropriate to report any SFT under MiFIR for the simple fact that MiFIR was not designed for SFT reporting and SFTs do not fit sensibly into the MiFIR template. Furthermore, the inclusion of those SFTs in the scope of MiFIR reporting is inconsistent with SFTR and this has also been argued by the ECB. We have highlighted this issue repeatedly in the past and it continues to be highly relevant. For further detail on the issue, we would like to refer ESMA to ICMA's response to ESMA's consultation paper on the Review of RTS 22 on transaction data reporting under Art. 26 of MiFIR (ESMA12-2121844265-3745) submitted on 17 January 2025.
- We also note that the overlap between SFTR and MiFIR clearly offends the key principle of balancing cost and benefit set out in the current consultation. What is the benefit of very imperfectly reporting SFTs with central banks, especially given that the data is already with the authorities and should be sourced from them, not the market.
- As argued already, dual-sided reporting and reconciliation requirements should be dropped for SFTR, given the burden of these requirements, the lack of evidence that they have proportionately enhanced data quality and the availability of other potentially more effective solutions.

Q4 What are the key limitations and potential risks of Option 1a? For example, do you consider the adaptation of the EMIR template to cover the data points used for market abuse surveillance as meeting the general objective of reducing the reporting burden, and why?

- The key limitation from an SFTR point of view is that Option 1a does not include SFTR.
- Within SFTR, consideration should be given to a clearer delineation between the different types of SFT, given that type-specific fields are mixed together in a single set of validation rules (eg Validation Rules 2.14, 2.23, 2.75 and 2.96). This would allow SFTR to evolve to reflect the basic differences between types of SFT and ease the problems created by the current "one-size-fits-all" approach. In addition, some common fields need to be made more SFT type-specific, in order to simplify the associated conditionality rules. This might result in an overall increase in data fields, but not for each type of SFT, and the structure would look simpler.
- Clearer delineation within SFTR also applies to the inclusion of data fields for which the data can be implied from other reported data (Cleared field, DBV Indicator, Method Used to Provide Collateral, Day Count Convention, Adjusted Rate, Principal Amount on Maturity Date, Classification of Security, Collateral Market Value, Haircut, Collateral Quality, Maturity of Security, Jurisdiction of the Issur, LEI of the Issuer, Collateral Type and Availability of Collateral for Reuse) and data that can be sourced from official databases and other golden sources.

- On the other hand, as argued in the General Comments, there is a compelling case for not delineating repurchase transactions (REPO) and buy/sell-backs (SBSC) within SFTR, where the definitions are flawed and the supposed differences are illusory.
- We have no comments to make on EMIR.

Q5 What components are missing or not adequately addressed in Option 1a? Why are these elements important, and how might their inclusion change the evaluation or implementation of Option 1a?

- The missing component is SFTR.

Option 1b

Q6. What are the key advantages of option 1b and how do these benefits address the issues in section 3?

- We cannot see any advantages in option 1b. In the case of SFTs, if not also derivatives, it makes no sense to divorce the initial trade from the subsequent life-cycle events, which are largely amendments to the initial trade state.

Q7. What are the key limitations and potential risks of option 1b?

- **We cannot see any cost savings in option 1b**, given that there would have to be a deep and disruptive reorganisation of reporting within firms that would cross existing boundaries and would therefore be complex, radical and expensive for no clear gain.
- This option looks as if it was thought up as a way of more easily allowing a merger of the reporting of exchange-traded and OTC derivatives, given the greater commonality of post-trade. Little thought, if any, thought appears to have been given to SFTs. The option ignores the fundamental differences between SFTs and derivatives.

Q8. What components are missing or not adequately addressed in option 1b? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 1b?

- Option 1b ignores the fundamental differences between the types of instruments and transactions being reported and is therefore fundamentally flawed.

Option 2a

Q9. What are the key advantages of option 2a and how do these benefits address the issues in section 3?

- It is not clear what is intended to result from Option 2a. If the aim is a single reporting regime based on a common data model that can describe all financial instruments and transactions, it could result in significant simplification. Ideally, the data model would be the Common Domain Model (CDM) which is being developed by ICMA, ISLA and ISDA, reflecting industry expertise, insight and experience. However, such a development would need a much longer horizon and would effectively require the creation of a completely new reporting regime, in other words, a “Big Bang” reform. The cost would be substantial, although the results are expected to eventually justify the initial implementation effort.

- If the aim of option 2a is not to produce a single reporting regime based on a common data model, the result would presumably be a single piece of Level 1 regulation and relatively modest changes in the reporting requirements, in other words, a single legal wrapper. This could have some value, provided it respects the fundamental differences between derivatives and SFTs in terms of data fields. The gain would be simplification of the legislative process of changing generic reporting requirements. However, given the fundamental differences between derivatives and SFTs, such opportunities would be limited to derivatives, where there are core similarities between exchange-traded and OTC derivatives, which mean some changes would be common to both types of derivative.

Q10. What are the key limitations and potential risks of option 2a?

- In the case of SFTs, the overlaps across regimes are so limited (just MiFIR reporting of central bank SFTs) that firms largely already "report once". Option 2a, like so much else in this consultation, appears to have been conceived for derivatives, targeting the overlaps between exchange-traded and OTC derivatives under MiFIR and EMIR. SFTs appear to have been added as an afterthought. This poses the risk that, in order to achieve a broader "simplification", SFTR data fields might be distorted to fit (like "round pegs into square holes"). The cost would be the degradation of the meaningfulness of SFTR data.
- For SFTs, option 2a risks being highly disruptive but for little or no gain.
- There does not appear to be any clear basis for asserting that option 2a would result in a "considerable reduction of reporting burden for market participants".

Q11. What components are missing or not adequately addressed in option 2a? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 2a?

- Without a more concrete picture of what Option 2a is intended to produce (see the answer to Q9), it is difficult to identify missing elements.
- If Option 2a is indeed a single reporting regime based on a common data model, the option is EU-centric and neglects the need to ensure global alignment. Failure to co-ordinate and co-operate with other jurisdictions would represent a missed opportunity to ensure consistency across markets which are global in coverage and deliver cost savings for firms operating cross-border and provide visibility over cross-border flows and spillovers to regulators.

<u>Option 2b</u>

Q12. What are the key advantages of option 2b and how do these benefits address the issues in section 3? What regimes should be included in such an option beyond EMIR, MiFIR and SFTR?

- From the point of view of SFTR, it would be sensible to bring in MMSR and perhaps BRRD.

Q13. What are the key limitations and potential risks of option 2b?

- We believe that option 2 is unrealistic and undesirable, for the reasons given in response to Q10. Option 2b simply compounds the problems by trying to extend Option 2 into regulations, some of which (eg REMIT) are fundamentally different to SFTR, EMIR and MiFIR. The latter are all transaction-reporting regimes. For example, while REMIT is also a transaction-reporting regime, the data fields for energy market trades are distinct and often unique. As more types of asset are added to the combined multi-asset reporting regime and more regulators have a stake, it would become increasingly more difficult to manage, operate and understand, without internally dividing the regime, which would fundamentally contradict the idea of a single regime.

Q14. What components are missing or not adequately addressed in option 2b? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 2b?

- We believe that option 2 is unrealistic and undesirable, for the reasons given in response to Q10. Option 2b simply compounds the problems.

Q15. Which of the two main options (1. "removal of duplication in current frameworks" or 2. "report once") and related sub-options identified do you believe should be prioritised, and why?

- It is difficult to answer this question in respect of SFTR, given that the goal of "report once" really only apply to the derivatives reporting regulations, EMIR and MiFIR. As noted in previous responses, there remains more significant scope for further simplification within SFTR itself.
- However, it is not clear why removing duplication would not result in "report once".

<u>Other</u>

Q16. Are there any additional options that should be considered on top of option 1 and 2? For example, do you identify other potential intermediate solutions, combinations of elements from the identified options, or phased approaches? If so, what are their main characteristics, the reasons for considering them, and the key advantages they would bring?

- We have already noted the that greatest need is to eliminate duplication <u>within</u> SFTR. There is also the proposal to delegate reporting, where possible, to financial market infrastructures such as CCPs.

Q17. Should the reporting channels, and flows be modified to ensure consistent reporting, and if so, how? Under which option/s do you consider these changes should be implemented?

- It is not entirely clear what is envisaged and whether this applies to SFTR.
- As regards reporting channels, the use of trade repositories for SFTR is satisfactory for the foreseeable future.

- A future "digital" reporting regime based on a common data model would open the door for more structural changes in terms of reporting channels, possibly removing the need for the involvement of intermediaries in the reporting chain or aggregation in a single reporting utility.

Q18. In this regard, and based on the current order book requirements for trading venues and the availability of information, what are the advantages and disadvantages of transferring the reporting of on-venue transactions under MiFIR and EMIR to trading venues?

- Not relevant to SFTs.

Q19. Additionally, what are your views on enhancing ESMA role as data hub by developing a framework where entities would report consistent and harmonised data directly to ESMA? Should this option consider direct reporting to ESMA coupled with EU and national authorities' access to the centrally held data, eliminating multiple submissions?

- While there are benefits to enhancing the consistency and efficiency of regulatory reporting through centralisation, this function could potentially sit outside of ESMA, allowing ESMA to remain focused on its core regulatory and supervisory mandate – focusing on 'what is delivered', rather than 'how it is delivered'.
- On the other hand, the development and operation of a centralised data hub would require substantial investment in technology and infrastructure. If ESMA were to proceed with this approach, it is essential that reporting entities - particularly smaller firms - are not subject to additional costs or charges for using the service. In addition, the roles and supervisory powers of NCAs would need to be clearly defined. A shift toward more centralised reporting should not create any ambiguity regarding oversight responsibilities.
- In this context, ESMA's role could be focused on defining clear and harmonised reporting standards, while operational implementation could be supported by industry, leveraging a common data model such as the CDM developed by ICMA, ISDA and ISLA, also taking into account other related industry standards such as ICMA Bond Data Taxonomy in the primary market space.

Q20. In the case of centralisation of reporting, please expand on the advantages and disadvantages as well as the implementation challenges and opportunities? Under this scenario, what additional elements should be considered (i.e. Operational aspect, technical implementation, etc.)

- Centralisation could reduce development and maintenance costs and simplify the implementation of regulatory changes. However, it also brings challenges such as higher overheads, increased complexity in managing a larger system and greater systemic risk in the event of a failure.

Q21. Do you consider that other technologies (e.g. DLT and Smart Contracts) should be considered as a way to simplify the reporting process?

- ESMA needs to elaborate on how it sees DLT assisting reporting. The primary purpose and benefit of DLT is the ability to perform bi-lateral transactions based on a consensus mechanism and immediately transfer things of value between participants without the need for a centralised arbitrator or service. These features are not that critical when it comes to regulatory reporting. That said, if DLT is moved upstream to the point of execution, then confirming and reporting requirements could be encoded in the smart contracts, completely removing the needs for a separate reporting regime. DLT can be private-permissioned environments that protect participants data.
- We repeat our view that the logical objective of a programme of simplification of reporting requirements for SFTs and derivatives must be a single reporting regime based on a common data model that can describe all financial instruments and transactions, ideally based on the Common Domain Model (CDM) being developed by ICMA, ISLA and ISDA. Such a concept would support the idea of direct digital reporting and data-pulling by regulators as opposed to data-pushing by firms. This objective is beyond the horizon of this consultation, but it should nevertheless frame the actions inspired by the consultation, so as to help guide the development of reporting technology and not incur future restructuring costs. As noted above, ICMA would be keen to work together with ESMA and other industry stakeholders to further define such a future reporting framework and develop a Roadmap to get there.

Q22. Where do you think the cost associated with dual sided reporting is generated? What would be the cost impact of removing dual-sided reporting (e.g. Substituting reconciliation requirements with other measures such as audits against internal record systems as required in the U.S. or increase interaction among counterparties and NCAs)? Do you consider that dual sided reporting may reduce the ability of reporting entities to fully control the data submitted to authorities? Do you consider that the reporting should be strictly from one side?

- We strongly support the removal of dual-side reporting and reconciliation requirements, for SFTR as well as EMIR.
- Since Brexit, the extent of dual-sided reporting has been considerably diminished and coverage does not cover the majority of activity, so its utility is now limited.
- The cost of dual-sided reporting arises because firms have to negotiate with each other post-trade in order to resolve mismatches, which are often the result of redundant, dysfunctional or unrealistic data field that are subject to legitimate alternative interpretations, and by limited and often unhelpful reporting guidelines.
- In SFTR, the value of reconciliation is diminished by obstacles to back-dated reporting of Trade State Reports.
- There are a number of alternatives to dual-sided reporting and reconciliation, including intelligently-targeted audits, as used in other jurisdictions, focused on the most active firms or those with higher-risk strategies. We believe that substantial improvements could be realised by repairing data definitions and providing better reporting guidance. Auditing could be enhanced by the application of controlled AI to identify egregiously poor reporting. The task could also be facilitated by exempting firms below a threshold

from reporting at all. A structural improvement in the quality of reporting could be achieved by switching the reporting of CCP-cleared and tri-party repo from firms to infrastructures.

Q23. Would you consider the modification of reporting frequency useful under the general objective of reducing the reporting burden, and why? What would be the specific proposals in this regard?

- Reporting frequency could only be reduced, if there was a transition to aggregate-position-reporting (as opposed to end-of-day Trade State reporting). This would be appropriate for the systemic risk monitoring function of SFTR and was in the original proposal by the FSB.
- There is a case for reducing the frequency of updating of collateral valuations, where has been no change on the composition of collateral, and the reporting of re-use (if retained), to end-week or end-month.

Q24. Proportionality measures: how do you consider proportionality can be taken into account in the context of burden reduction in regulatory reporting? What specific measures would you propose and how would you quantify their impact?

- The intensity of reporting should be proportional to the systemic risk being monitored, the cost of reporting and the use of data by regulators.
- The granularity of reporting under SFTR is not generally justified by the systemic risk posed by repo. Systemic risk is largely a function of scale, rather than composition. What is the justification, therefore, for fields such as CSD Participant, Master Agreement Types and Versions, the four fields for Floating-Rate Payment and Rate Reset Frequency, GC Indicator, Day Count Convention, Adjusted Rate and Value Date of Collateral? And what is the justification for reporting data that can be implied from other reported and other or fields that can be sourced from official databases?
- There needs to be some quantification of the regulatory use of SFTR data generally and across individual fields. Unused or under-used fields need to be pruned.

5 High-level impact analysis based on available data --- dual-sided reporting

Q25. Question for reporting entities under EMIR: what is the one-off cost of implementing EMIR requirements to date? This cost should include all cost lines, such as familiarisation with obligations, staff recruitment, training, legal advice, consultancy fees, project management and investment/updating in it. Do you identify any other relevant one-off cost line?

Not relevant to SFTR.

Q26. Question for reporting entities under EMIR: what is your estimated average cost per transaction (on-going cost) to comply with the reporting requirements under EMIR? This cost should include not only the fees associated with reporting through trade repositories (which usually includes data collection and information storage) but also the total cost, including any other cost lines, such as, IT maintenance and support, training, data processing and audit fees. Do you identify any other relevant ongoing cost line?

Not relevant to SFTR.

Q27. Question for reporting entities under MiFIR: what is the one-off cost of implementing MiFIR requirements to date? This cost should include all cost lines, such as familiarisation with obligations, staff recruitment, training, legal advice, consultancy fees, project management and investment/updating in it. Do you identify any other relevant one-off cost line?

Not relevant to SFTR.

Q28. Question for reporting entities under MiFIR: what is your estimated average cost per transaction (on-going cost) to comply with the reporting requirements under MiFIR? This cost should include not only the fees associated with reporting through Approved Reported Mechanisms but also the total cost, including any other cost lines, such as, IT maintenance and support, training, data processing and audit fees. Do you identify any other relevant ongoing cost line?

Not relevant to SFTR.

Q29. Question for reporting entities under EMIR or MiFIR: Are there other cost-factors that we should consider when estimating the cost saving over a long term horizon?

Not relevant to SFTR.

Q30. What are the anticipated investments and transition costs associated with implementing option 1a, 1b, 2a and 2b (e.g. decommissioning of legacy systems, adapting systems to new changes and future evolving requirements, etc.)? Please provide a detailed breakdown of these costs, including any one-off and ongoing expenses. What is the estimated average cost saving per transaction?

These are detailed questions for which there has been inadequate time to compile a fully formed answer over the summer break to meet the September deadline for responses. However, we have attempted to collect some high-level cost estimates from members on a best effort basis to help quantify the proposals above. While the results are based on feedback from a limited number of member firms, and therefore not fully representative, we have aggregated these and included some high-level results in the General Comments section of this response (see attached). The feedback has also helped to guide our views set out in this response.

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