Joint ICMA ERCC – ISLA industry roundtable
SFTR reporting: Implementation challenges and solutions

8 February 2017
Welcome

Godfried De Vidts, Chairman ICMA ERCC

Andrew Dyson, Chief Executive Officer, ISLA
Agenda

08.30  Registration and coffee

09.00  Welcome
Godfried De Vidts, NEX Group (Chairman ICMA ERCC)
Andy Dyson, CEO, ISLA

09.05  SFTR: Overview of the key provisions and timeline
Jonathan Lee, J.P. Morgan (Chair ICMA ERCC SFTR Task Force)

09.20  Industry work on SFTR so far
Nicholas Hamilton, J.P. Morgan (Co-chair ERCC Operations Group)

09.35  Panel: The market participants' perspective
Moderator:
Andy Dyson, ISLA
Panellists:
Jonathan Lee, J.P. Morgan
Kristy Dahlberg, Morgan Stanley
Richard Comotto, ICMA Centre
Sarah Nicholson, ISLA
Ian Sloyan, ISDA

10.20  Panel: Vendor solutions
Moderator:
Adam Bate, Morgan Stanley (Co-chair ERCC Operations Group)
Panellists representing the following vendors and TRs:
Bondlend/Equilend, DTCC, IHS Markit, Pirum, Trax/Traiana, UnaVista

11.20  Closing remarks
Andy Dyson, ISLA

11.30  Close
SFTR: Overview of the key provisions and timeline

Jonathan Lee, EMEA FI Regulatory Reporting Manager, J.P. Morgan

Chair of the ICMA ERCC SFTR Task Force
SFTR Article 4 (Reporting) Go-Live

SFTR Article 13 applies - Periodic reporting requirements for in-scope investment funds (UCITS)

SFTR Article 14 applies – Pre-contractual disclosure requirements in respect of SFTs and TRs for UCITS and AIF

SFTR Article 15 applies – Restrictions on Re-Use of Collateral, Requiring Notification & Disclosure to SFT Counterparties

ESMA to submit final draft SFTR RTS to the Commission

ESMA hold second consultation on draft SFTR RTS

ESMA launch SFTR Discussion Paper & Initial Consultation

SFTR Level 1 – adoption, publication in the Official Journal, entry into force

SFTR timeline

Nov 2015 - Jan 2016

March – April 2016

July 2016

Sep - Nov 2016

Jan 2017

March 2017

July 2017

Sep 2017

Oct 2018

SFTR RTS expected to be finalized
SFTR Article 4 reporting - Introduction

- Publication of the Consultation Paper “Draft RTS and ITS under SFTR and amendments to related EMIR RTS,” on 30th September 2016, ESMA open hearing on 24th November and consultation responses on 30th November 2016

- SFTR represents very significant change for the Securities Financing industry

- The draft SFTR RTS are both highly prescriptive and somewhat daunting from a Repo perspective

- Data Requirements are less consistent with the nuances of the Securities Lending / Agent Lending and Margin Lending/Prime Brokerage businesses, raising different concerns

- The draft SFTR RTS reflect their roots in EMIR derivatives market reporting
SFTR Article 4 reporting – Some specifics

- Dual Sided Reporting to Trade Repositories in new ISO 20022 Standard Reporting Format
- A series of “Action Types” – to be finalised
- Trade Date +1 (T+1) Reporting of New Reports and subsequent Lifecycle actions
- Reports to include Unique Trade Identifier (Shade Trade Reference)
- Daily Collateral Updates with Daily Revaluations required
SFTR Article 4 reporting – Some more specifics

- CCP Margin Calls to be Reported – Unclear how to report Bilateral Margin Calls (Non Trade Level)
- Re-Use Reporting Required at the ISIN Level
- ESMA & ESCB placing a high dependence on their ability to Match Trades – Intra & Inter Repository
- Up to 82 Matchable Fields with Limited Tolerance across Counterparty, Transaction (Loan) and Transaction (Collateral) Fields
SFTR Article 4 reporting – Closing introductory comments

• Today’s Repo industry focus on Matching Economics, Settlement Finality and Efficient Margining Processes. The Repo Trade Lifecycle has never faced this level of Scrutiny

• We turn to the SFT Vendor Community to request their Partnership in finding Streamlined and Efficient Ways of Taking the Industry Forward into this New Regime
SFTR: Overview of the key provisions and timeline

Andrew Dyson, Chief Executive Officer

International Securities Lending Association (ISLA)
SFTR: Overview of the key provisions and timeline

Securities Lending

• High concentration of agent construct combined with predominance of non-cash collateral in Europe compound difficulties associated with reporting obligation.

• Although dual sided reporting obligation, key data elements can only be derived from lender.

• High proportion of lending principals likely to be out of scope.

• Loans will be reportable down to LEI level on T+1 with non-cash collateral reportable on Value date (Settlement) again down to underlying LEI level.

• Provision of timely information from tri party agents will be crucial

• Interaction and future of legacy ALD framework will be important
Developing the SFTR framework – A journey to an industry target operating model

Nicholas Hamilton, Executive Director, J.P. Morgan

Co-Chair of the ICMA ERCC Operations Group
Intro – Securities Financing Initiatives

- At least 5 different Securities Financing Reporting Regimes in the process of going live in Europe
- Financial Stability Board – Global Securities Financing Data Collection & Aggregation
- European System of Central Banks – Secured Financing Transaction Data Store Project
- EU Securities Financing Transaction Reporting
- ECB Money Market Statistical Reporting
- Bank of England – Sterling Money Market Data Collection
Targeting an efficient operating model for repo

• The ICMA ERCC Operations Group has been actively working towards “joining the dots” of the different initiatives
• The objective of the work includes and goes beyond regulatory compliance, aiming to improve the efficiency of repo post-trade processing
• Work covers the different stages of the repo lifecycle and includes:
  o Guide to Best Practice in the European Repo Market
  o Trade Matching and Affirmation (TMA)
  o Trade confirmation
  o Messaging standards
• In order to be successful, cross-industry collaboration will be critical, covering the complete post-trade spectrum from post-trade vendors to settlement systems.
• The work is complementary to broader ongoing initiatives in other forums, including as the European Post Trade Forum and the new Advisory Group on Market Infrastructures
Focus Areas

- **Best practice** – Continue to set market best practices for repo and support their consistent usage

- **Trade Matching and Affirmation** – Raise awareness of TMA template and encourage implementation especially in OTC non-CCP flows

- **Product definition and development** - Work with ISLA/ISDA and others, including regulators, to establish common definitions of collateral products and identify standards or key attributes for post-trade transmission

- **Fintech** – Cross Industry WG to pull together the latest innovative/automated/robotic technology for Repo in the Post Trade environment.
ERCC Repo Guide to Best to Practice

- Initially published in March 2014
- Sets out detailed standards for the orderly trading and settlement of repo
- Reviewed on an ongoing basis by a dedicated ERCC working group and regularly updated
- Includes detailed guidance on confirmation and affirmation practices for repo transactions, including template forms of confirmations
- Available on the ICMA website
The ICMA TMA template and a supplementary Glossary of Terms were published on 8 December 2015 and can be downloaded from the ICMA website.
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**FIX**  **ISO**  **FpML**
Panel discussion: The market participants' perspective

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Adam Bate, Morgan Stanley, Co-Chair ERCC Operations Group

Panellists:

Iain Mackay, Equilend/Bondlend

Pierre Khemdoudi, IHS Markit

Ben Challice, Pirum

Camille McKelvey, Trax

Steve Holland, UnaVista

Mark Steadman, DTCC
Summary of the discussions and next steps

Andrew Dyson, Chief Executive Officer, ISLA

Nicholas Hamilton, J.P. Morgan, Co-Chair of the ERCC Operations Group