



SFTR implementation

Helping members to implement the extensive reporting requirements under the EU's Securities Financing Transactions Regulation (SFTR) continues to be a key priority for ICMA's ERCC and its members who are heavily engaged in the ERCC's dedicated SFTR Task Force which brings together representatives from over 120 firms across the whole market spectrum. As the initial reporting go-live in April 2020 is approaching, a lot of work still lies ahead. However, much time and effort is being spent to get firms ready for the reporting go-live, both within the industry and the regulatory community. And this work is making steady progress.

Following the finalisation of the SFTR technical standards earlier this year, ESMA is now fully focused on important additional implementation guidance that they are mandated to provide, the so-called Level 3 measures. This includes detailed Reporting Guidelines and Q&As. On 27 May, ESMA published a first draft of the Guidelines for [public consultation](#). This consultation was obviously a key focus for the SFTR Task Force over the summer. The [final ERCC response](#) was submitted to ESMA by the deadline on 29 July, following extensive discussion with members. Alongside the detailed response, the ERCC also shared with ESMA an overview for the reporting of repo lifecycle events and the latest version of SFTR sample reports that the group has been developing over the past months.

In its response, the ERCC provided feedback on a number of critical questions. One issue that has raised particular concerns is ESMA's proposed approach in relation to issuer LEIs. The issuer LEI is a mandatory reporting field under SFTR, despite the fact that at a global level there are still significant gaps in the availability of issuer LEIs. The issue has been highlighted by the FSB itself in the recent [Thematic Review on Implementation of the Legal Entity Identifier](#), which found that in aggregate only 55% of securities issued in the FSB jurisdictions currently have an LEI code. Analysis from member firms based on their internal systems indicate a similar gap. Given these figures, it is clear that a fallback solution is needed. However, so far ESMA has been very reluctant to provide any relief, also encouraged by the MiFIR precedent where the strict "no LEI, no trade" approach led to a last-minute rush by market participants to obtain LEIs. The ERCC and other stakeholders have clearly stressed the fundamental differences between both regimes (issuers are not counterparties) and the potentially severe market implications in terms of availability of collateral and market liquidity of a strict approach on this question.



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In terms of next steps, ESMA is currently reviewing the draft Guidelines in light of the consultation feedback received and has promised to deliver the final Guidelines in early Q4. From an industry perspective, timing remains a key challenge. With only six months left until reporting go-live firms are under pressure to conclude the necessary IT system developments and start industry testing as soon as possible in order to get ready in time for the April 2020 deadline.

While waiting for the final Guidelines, the ERCC continues to develop its detailed industry best practices which will complement the regulatory framework. Together with members of the SFTR Task Force, the ERCC has developed over the past months an extensive Annex to the existing Repo Best Practice Guide focused specifically on SFTR Reporting. The Annex itself is complemented by further best practice documents that aim to guide firms and ensure consistency across the industry.

Another important aspect is education. Since July, ICMA has held a number of technical workshops on SFTR. The full-day workshops aim to provide participants with an in-depth understanding of the practicalities of SFTR reporting, including the key SFTR requirements as well as the ERCC's best practice recommendations. More information about upcoming SFTR workshops is available on the [ICMA events page](#). For more information on the ERCC's work in relation to SFTR, please visit ICMA's [SFTR webpage](#) or contact us by email.

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