

## SFTR implementation

**CMU** Over the past months, market participants have eagerly awaited the publication of ESMA's important final Level 3 guidance on SFTR reporting, the last major missing piece to complete the regulatory framework. Following the consultation on the draft Guidelines over the summer, the final version of the document was initially expected in October, but this date then slipped. On 6 January, ESMA finally released the [final guidance documents](#). Alongside the Reporting Guidelines, ESMA also published its Final Report and an updated version of the Validation Rules, defining whether a particular reporting field is optional, conditional or mandatory, as well as a statement on LEI codes. The latter grants reporting firms a 12-month grace period for the reporting of LEI codes for issuers from non-EU countries. This requirement had been raised by ICMA and other industry stakeholders as a particular concern, given the large gap in LEI availability at a global level. The suite of Level 3 guidance is completed by another important document which had been published by ESMA already before Christmas: the ISO20022 XML schemas for SFTR reporting. The schemas specify standardised message formats to be used for the communication between reporting firms and their TR, but also between TRs and between TRs and authorities. A focus over the next few weeks will be to review the different guidance documents in detail and to seek further clarity from ESMA where required.

In addition, ICMA also continues to push ahead with the detailed work with its members to prepare for the implementation. This work is supported by ICMA's dedicated SFTR Task Force, an open forum which has been created to drive the industry's implementation efforts for repos. The SFTR TF brings together representatives from a broad range of nearly 150 firms, including market participants and infrastructures but also all the key vendors and trade repositories. The key objective of ICMA and the SFTR TF is to develop detailed best practice recommendations for reporting under SFTR to complement the regulatory framework and provide additional guidance for members. The best practices are collated in ICMA's SFTR Guide. While currently still an internal draft, it is planned to publish the document more widely as soon as the final ESMA Guidelines have been incorporated into our own recommendations. A launch event for the Guide is currently planned in early 2020. Details will be announced shortly.

Besides SFTR itself, the SFTR Task Force has also been working on a separate but closely related issue, the reporting requirements under MiFIR for repos with EU central banks. While these transactions are exempt from SFTR reporting they have unfortunately been brought into scope for MiFIR reporting, which creates a number of practical challenges as the MiFIR framework was not designed with SFTs in mind. Over the past months, ICMA's SFTR Task Force has discussed the issue, considered various different options and put together a proposal for the reporting of these repos under MiFIR. On 29 November, the proposals, which were coordinated with other trade associations, were submitted to ESMA for validation.

Finally, important aspects of the SFTR implementation work continue to be awareness raising and education. Since July, ICMA has held a number of regional events and technical workshops on SFTR. Most recently, ICMA, in collaboration with ICMA's Luxembourg region, hosted the [ICMA Seminar - Getting Ready for SFTR](#) in Luxembourg. ICMA is also holding regular full-day workshops on SFTR reporting which are more technical in nature and aim to provide participants with an in-depth understanding of the practicalities of SFTR reporting, including the key SFTR requirements as well as ICMA's best practice recommendations. The next editions of the workshop are scheduled for [22 January in London](#) and [18 February in Frankfurt](#). For further information on ICMA's SFTR work, please check our [SFTR webpage](#) or get in touch by e-mail.

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