

SFTR implementation

Buy-side go-live and ICMA's evolving best practices

On 12 October, the third phase of SFTR [went live](#) with the reporting start for investment funds, pension funds and (re-)insurance undertakings. As for the initial go-live in July, feedback has again been positive. Acceptance rates reported by trade repositories (TRs) remain well over 95% and pairing and matching continue to gradually improve, although still subject to challenges. The [ERCC's SFTR Task Force](#) remains central to the industry's implementation effort and continues to track outstanding reporting issues. The group has put together a list of over 50 reporting problems encountered by members, which has been shared with ESMA and national authorities. The fourth and final phase of SFTR reporting is due to go live on 11 January as non-financial counterparties start reporting in the EU, although they are exempt from reporting obligations in the UK.

On 29 October, ICMA released the fifth edition of its detailed [SFTR Recommendations](#). Compared to the previous version, the new edition of the guide includes further updates to address reporting issues encountered by members in the first months of reporting, and it also covers a number of specific buy-side questions and important lessons learnt since the buy-side reporting go-live. The ICMA recommendations are complemented by a number of additional best practice documents, including the ICMA SFTR sample reports, which are all available on the [SFTR webpage](#). And ICMA also continues to publish, on a weekly basis, consolidated SFTR data released by the TRs. Figures and charts from the first six months of reporting are available on a dedicated [SFTR public data page](#).

First set of ESMA Q&As released

On 5 November, ESMA [released](#) the first batch of SFTR Q&As to provide additional guidance on the implementation of the rules. The first version of the Q&As covers 13 questions across five different topics, including the reporting of settlement fails, which has been a contentious issue since the publication of the ESMA Guidelines back in January. ICMA has reviewed the latest guidance with members and incorporated it into the ICMA [SFTR Recommendations](#).

ESMA is in the process of reviewing other important [guidance documents](#), including the SFTR validation rules and the XML schemas, and asked ICMA for comments. Based on member feedback, ICMA has put together a list of outstanding issues identified in relation to both documents which still need to be addressed. The feedback has been shared with both ESMA and the FCA.

SFTR and post-Brexit

Since the end of the post-Brexit transition period, SFTR reporting has been split into an EU and a UK version. Regulators on both sides of the Channel prepared for this day. On 10 November, ESMA published a number of Brexit-related statements, including a statement on [Issues affecting EMIR and SFTR reporting following the end of the UK transition period on 31 December 2020](#), assessing the implications across the different aspects of SFTR. On the UK side, the FCA prepared the applicable guidance for UK SFTR, including a UK version of the SFTR technical standards and also of the [validation rules](#). The documents generally replicate the EU approach but include a number of smaller modifications to reflect their UK-specific scope. On 26 November, the FCA also released a [statement on UK SFTR](#) which explains in more detail what TRs and their UK clients should do to ensure compliance with UK SFTR from 1 January 2021. More information is available on the FCA's SFTR [webpage](#). The implications for reporting firms have of course also been an important focus for ICMA's SFTR Task Force over the past months. The ICMA recommendations include a detailed breakdown of the post-Brexit reporting obligations under SFTR and MiFIR for UK, EU and non-EU counterparties. They are included in the latest edition of the ICMA SFTR recommendations (section 1.16). ICMA also published a [checklist for non-European firms](#) to help them assess whether they are subject to SFTR reporting requirements in either the EU or the UK.



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