

SFTR implementation

On 13 December, the European Commission adopted the long-awaited SFTR technical standards specifying the extensive reporting regime for SFTs which the law is set to introduce. The technical standards were adopted as a package, including three delegated regulations with Regulatory Technical Standards (RTS) and one implementing regulation setting out Implementing Technical Standards (ITS), including Annexes. Compared to the final drafts submitted by ESMA in March 2017, the versions now published include a number of relevant changes, including some amendments on substance which had been subject to further discussion between the Commission and ESMA who expressed their opposition to the changes in an [opinion](#) issued on 5 September.

While the content of the final standards still needs to be reviewed more thoroughly over the coming weeks, the fact that they have now been adopted finally provides more clarity in relation to the SFTR implementation timeline. In a first step, the RTS are now subject to scrutiny by the European Parliament and the Council. Both institutions have in principle three months (ie until 13 March 2019) to object, with the option to extend this period by another three months. Otherwise, the RTS will be deemed final, published in the *Official Journal* of the EU and will subsequently enter into force. However, the reporting rules will only apply after a further transition period of 12 months for banks and other investment firms (ie reporting “go-live” in April 2020), while other reporting firms, including CSDs and CCPs as well as buy-sides and non-financials will have between 3-9 months longer to prepare.

The adoption of the final technical standards also provides further momentum for the implementation work done by ICMA's SFTR Task Force set up under the European Repo and Collateral Council (ERCC). The group has been growing significantly over the course of 2018 and now includes around 100 member firms, covering the full

breadth of the repo market: sell-side, buy-side, market infrastructures as well as the various service providers that are looking to develop solutions to facilitate SFTR reporting, including vendors and regulated trade repositories. Together with members of the Task Force, ICMA is working on agreed definitions and detailed best practices to facilitate the implementation of SFTR with the aim to incorporate these into the ERCC's existing *Guide to Best Practice in the European Repo Market*.

Another important objective is to continue the constructive dialogue with regulators on SFTR, in particular with ESMA who will have an important role to play in the implementation process. It is ESMA's task to provide additional guidance beyond the technical standards, as part of the so-called Level 3 process. While this process only starts once the technical standards have been finalised, ESMA has already indicated that it is planning to make extensive use of this possibility. Besides regular Q&As on SFTR implementation, ESMA is planning to publish detailed Reporting Guidelines which aim to provide concrete examples and discuss different reporting scenarios. In anticipation of this work and in order to make sure that the ERCC's views are appropriately taken into account, the SFTR Task Force already submitted in December extensive early feedback to ESMA and will continue to actively engage with them on this important initiative. As part of this dialogue, Nikolay Arnaudov, senior policy officer at ESMA responsible for SFTR, joined the [latest ERCC General Meeting](#) held on 17 October in London to provide a detailed update on ESMA's ongoing SFTR work and to participate in a lively panel discussion with members of the ERCC's SFTR Task Force.

Contact: Alexander Westphal
alexander.westphal@icmagroup.org
