

SFTR implementation and ICMA Recommendations for Reporting

Unsurprisingly, the unprecedented measures taken to combat the COVID-19 pandemic have had a major impact on the industry's preparations for the SFTR reporting go-live, initially due on 11 April. On 16 March, amidst growing concerns from members, ICMA sent a [letter](#) (co-signed by ISLA) to ESMA requesting a delay of the reporting go-live in light of the circumstances. In support of the request, the letter included concrete examples of the critical challenges that the COVID-19 pandemic and related measures are posing to members' SFTR implementation programmes. ESMA responded promptly. On 19 March, ESMA issued a [public statement](#), effectively postponing the first phase of the SFTR reporting go-live, applicable to banks and investment firms, by three months, from April to 13 July. Although ICMA had initially suggested a delay until October, the move is of course broadly welcome and a real relief to the industry. The initial statement left a few aspects unaddressed, in particular the implications of the delay for backloading. In response to queries by ICMA and others, on 26 March, ESMA issued an [updated version](#) of the statement which clarifies that firms subject to SFTR reporting under all 4 phases are not expected to apply the backloading requirements under SFTR. ICMA published a more detailed assessment of the ESMA statements which is available on the [ICMA website](#).

In the meantime, discussions continue in relation to the [final Level 3 guidance](#) published by ESMA on 6 January. The ESMA Guidelines contain helpful clarifications and additional guidance, incorporating many of the suggestions submitted by ICMA, but they also leave a number of important questions open. Following in-depth review of the documents, ICMA followed up with ESMA on a limited set of questions that were considered most critical. Two questions stand out:

- How far do settlement fails on the repurchase leg of a repo require reporting? While there has always been a clear industry consensus that modifying reports following settlement fails would not be appropriate in the context of repos as this would misrepresent the contractual and legal reality of the product, ESMA's Guidelines seem to require exactly this.
- For uncleared repos, how should variation margining be reported? Despite previous discussions and proposals submitted by ICMA, this continues to be an open question as the related examples in the Guidelines are not clear.

Despite the delay and current circumstances, ICMA continues to engage fully with members to keep the work to support the industry's implementation effort on track. On 23 February, an important milestone was reached with the publication of the detailed [ICMA Recommendations for Reporting under SFTR](#). On 202 pages, the ICMA recommendations set out detailed guidance on over 70 issues, helping firms to interpret the regulatory reporting framework, providing additional clarity and address ambiguities in the official guidance where necessary. The Guide is the result of many months of intensive discussions within ICMA's dedicated SFTR Task Force and extensive feedback provided by members. It was published along with two complementary best practice documents, a [list of SFTR sample reports](#) (covering a wide range of 35 relevant repo scenarios) and [an overview for the reporting of repo lifecycle events](#). All three documents continue to be reviewed by the Task Force and are expected to evolve further in light of any changes in the market consensus, new issues arising or additional clarifications provided by ESMA. Regular updates will be published on the ICMA website.

Finally, education remains an important pillar of the SFTR implementation work. ICMA already hosted seven full-day technical workshops on SFTR reporting and is currently looking to supplement this offering by suitable web-based alternatives. More information on the ERCC's implementation work and educational offering in relation to SFTR is also available on ICMA's [SFTR webpage](#).

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