ICMA webinar: SFTR in action - lessons learned from the first 2 months

17 September 2020

Jan 2014: SFTR proposal

Jan 2016: SFTR enters into force

March 2017: ESMA's draft RTS/ITS submitted to EC

April 2019: Final RTS/ITS enter into force

January 2020: Final ESMA Reporting Guidelines

March 2020: ESMA announces 3-month delay to go-live

13 July 2020: Reporting go-live phases 1 & 2

- **Two "go-lives" still to come…**

  - *Mon 12 October 2020:* Reporting start for UCITs, AIFs & (re-)insurance undertakings

  - *Mon 11 January 2021:* Reporting start for Non-Financial Counterparties (NFCs)

- **Brexit…**

  - *31 December 2020:* End of the transition period will see a split into EU SFTR & UK SFTR

- **ESMA Level 3 guidance to be completed…**

  - Guidelines & validation rules (published 6 January 2020)

  - XML schemas (last updated on 20 December 2019)

  - Q&As (still to come)

- **And ultimately, there will also be an opportunity for a full SFTR review…**

  - Initial ESMA report to the Commission in April 2021

  - Commission report in April 2022 to assess effectiveness, efficiency & proportionality

- **ICMA's SFTR Task Force:**

  - Established in 2015 under the European Repo and Collateral Council (ERCC)

  - Group is open to a broad range of market participants, including sell-side, buy-side, market infrastructures, TRs and service providers – in total now **over 150 firms** represented

  - Main objective of the group has been to facilitate implementation by agreeing and documenting common interpretations and detailed best practice recommendations

- **ICMA SFTR best practices and other publications include:**

  - [ICMA Recommendations for Reporting under SFTR](#) (4th version released on 7 Sep)

  - [SFTR sample reports](#) (covering nearly 50 repo scenarios)

  - [Overview for the reporting of repo lifecycle events](#)

  - Post-go-live: Log of reporting issues

  - Aggregated [SFTR public data](#) published on a weekly basis

ICMA
International Capital Market Association

ICMA Recommendations for Reporting under SFTR

ICMA European Repo and Collateral Council
September 2020

ICMA International Capital Market Association

ERCC SFTR Task Force - Sample Reports

Overview table

Last modified: 21 February 2020

	type	term	start	repo rate	term.opt.	venue	any special parties	event(s)	collateral
1.1	SBSC	fixed	immediate	fixed	no	OTC		new documented	specific
1.2	SBSC	fixed	immediate	fixed	no	OTC		new undocumented	specific
2.1	REPO	fixed	immediate	fixed	no	OTC		new	specific
2.2	REPO	fixed	immediate	fixed	no	OTC	branch	new	specific
2.3	REPO	fixed	immediate	fixed	no	RFQ	small NFC	new	specific
2.4	REPO	fixed	immediate	fixed	no	voice-broker		new	specific
2.5A	REPO	fixed	immediate	fixed	no	OTC	agent	new	specific
2.5B	REPO	fixed	immediate	fixed	no	OTC	agent	new	specific
2.6A	REPO	fixed	immediate	fixed	no	RFQ	agent	new	specific
2.6B	REPO	fixed	immediate	fixed	no	RFQ	agent	new	specific
2.7	REPO	fixed	immediate	floating	no	OTC		new	specific
2.8	REPO	fixed	forward	fixed	no	OTC		new	specific
2.9A	REPO	open	immediate	re-ratable	no	OTC		new+rerating	specific
2.9B	REPO	open	immediate	floating	no	OTC		new	specific
2.10	REPO	fixed	immediate	re-ratable	no	OTC		new	basket ISIN only
2.11	REPO	open	immediate	fixed	no	OTC	agent	new but collateral unknown on T	basket ISIN only
2.12	REPO	fixed	immediate	re-ratable	no	OTC		new	basket ISIN only
2.13	REPO	fixed	immediate	fixed	no	ATS		new	ATS GC facility
2.14	REPO	fixed	immediate	fixed	no	ATS	clearing member	new	specific
2.15	REPO	fixed	immediate	fixed	no	OTC	clearing member	new (from prior repo)	specific
2.16	REPO	fixed	immediate	fixed	no	OTC	clearing member	new (from prior repo)	basket ISIN only
2.17	REPO	fixed	immediate	fixed	no	ATS	clearing member	new (no prior repo)	basket ISIN only
2.18	REPO	fixed	immediate	fixed	no	ATS	clearing member	new (no prior repo)	basket ISIN only
3.1	REPO	fixed	immediate	fixed	no	OTC		new+substitution	specific
3.2	REPO	fixed	immediate	fixed	no	OTC		new+early termination	specific
3.3	REPO	fixed	immediate	fixed	no	ATS		variation margin	specific
4.1	REPO	open	immediate	re-ratable	evergreen	OTC		new+termination	specific
4.2	REPO	fixed	immediate	re-ratable	evergreen	OTC		new+termination	specific
4.3	REPO	fixed	immediate	re-ratable	evergreen	OTC		new+advance+termination	specific
4.4	REPO	fixed	immediate	re-ratable	extendible	OTC		new+extension (one-off & into new extendible)	specific
5.1	REPO	fixed	immediate	fixed	no	OTC	central bank	new MiFIR reporting	specific
5.2	REPO	fixed	immediate	fixed	no	OTC	central bank	new MiFIR reporting --- multiple securities	specific
6.1	Margin report --- proprietary cleared repo between a clearing member & a CCP --- series								
6.2	Margin report --- bilaterally-negotiated repo being cleared post trade for one of the counterparties by a CCP clearing member								
7	7 Re-use report using FSB/RTS estimated re-use formula								

Note: highlighted cells indicate addition of new features to sample

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Life-cycle events of a repo

Last updated: 21 February 2020

type of event	event	variant
collateral management	pre-trade agreement between parties to delegate collateral management to triparty agent	
transaction management (new trades)	pre-trade agreement to register OTC repo post trade with CCP	
	initiate new repo	new repo including "blackpooled/bulk" transaction by agent for allocation to clients
		new tri-party repo (intraday; one-day or term)
		new evergreen repo with repurchase dates which automatically change at end of each business day until termination or maturity
		"roll-over" of maturing repo into new identical repo
collateral management (allocation)	seller's allocation of collateral for a new GC repo	allocation on T
		allocation after T
	triparty agent's first allocation of collateral	allocation on T
		allocation after T
	automatic registration of electronically-executed repo with CCP	clearing by open offer method
		clearing by same-day novation
	disclosure of underlying principals by agent to other party in a "blackpooled/bulk" agency repo	
	trade capture & deal entry into party's books & records	
	verification of terms & settlement details of repo by exchange or agreed one-way provision of confirmations	
	verification of key terms & settlement details of repo by affirmation	
	management of confirmation disputes	cancellation of disputed repo (before external reporting)
		agreed change in transaction details (before external reporting)
		cancellation of disputed repo (after external reporting)
		agreed change in transaction details (after external reporting)
	post-trade registration with CCP	execution on "trading venue" — same-day novation
		novation after T
	OTC execution	same-day novation
		novation after T
		CCP rejects or fails to register repo which is agreed conditional upon registration by the CCP
	transaction reporting	repo not executed but booked internally by mistake although not reported
		repo not executed or out of scope of SFTR but reported to trade repository by mistake
		transaction data incorrectly reported
		life-cycle event (eg termination, change in size or re-rating of open repo, or substitution of collateral) incorrectly reported
transaction management (purchase leg settlement)	settlement of purchase leg	"technical netting" of settlement (including pair-offs)
		"shaping" of settlement
		pre-matching of collateral settlement instructions & hold-and-release
		delivery & payment
		failure to deliver full amount of collateral
	intra-day credit from custodian, (I)CSD or central bank	T2S auto-collateralization of repo from payment bank to T2S
		T2S auto-collateralization of repo from client to payment bank
		intraday auto-collateralization by central bank in securities settlement system other than T2S (eg Euroclear UK/CREST)
		intraday credit to facilitate settlement extended by (I)CSD against lien on purchased security or existing securities
		new intraday repo with custodian or (I)CSD to facilitate settlement
	intra-day autoborrowing of securities from (I)CSD	option 1 secured by lien on other securities in custodial account
		option 2: using repo
	accept partial delivery	option 1 by agreeing to accept a partial delivery pro tem and wait for full delivery or maturity (no contractual change)
		option 2 by agreeing to accept the partial delivery as final: implemented by — option 2.1 termination same day
		termination & replacement of transaction with reduced size (contractual change) — option 2.2 termination later than same day
		option 3 by agreeing to accept the collateral that has been delivered as final: implemented by a change in contractual terms

Links:

- [ICMA European Repo and Collateral Council](#)

- [Further details on the ERCC work in relation to SFTR](#)

- [SFTR public data](#) (published weekly by ICMA)

- [ESMA overview page on SFTR](#)

Upcoming dates to note:

- **7 October:** Virtual [ERCC Annual General Meeting](#) (hosted by Equilend)