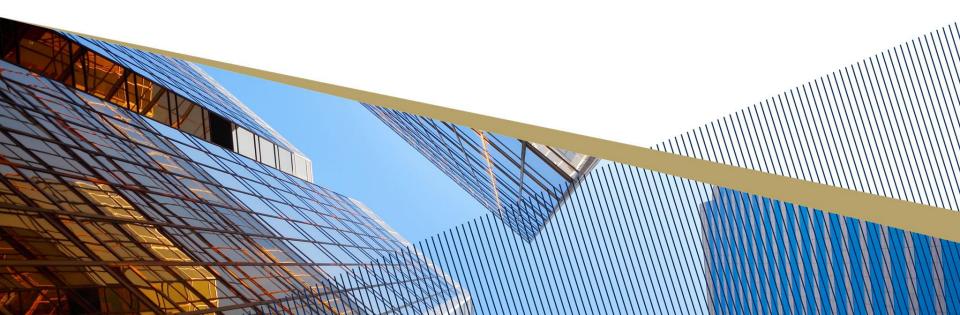


ERCC updates: SFTR - Latest Developments & ICMA Best Practices

30 March 2020



SFTR go-live & Covid-19





- 16 March: Joint ICMA-ISLA letter sent to ESMA to request a delay to the phase 1 go-live given the extraordinary circumstances around Covid-19
- 19 March: ESMA issues <u>public statement</u> granting a delay of the phase-1 go-live by 3 months to 13 July
- 26 March: ESMA <u>updates</u> the statement, clarifying that firms (all 4 phases) are also no longer expected to comply with the backloading provisions
- Agreed ICMA interpretation of the ESMA statements published today

ESMA's final Level 3 guidance

- On 6 January, ESMA published the long-awaited final set of Level 3 implementation guidance, including:
 - SFTR <u>Reporting Guidelines</u> and accompanying <u>Final Report</u>
 - Amended <u>Validation Rules</u>
 - <u>Statement on the reporting of LEIs</u> (non-EU issuers)
 - Completed by the relevant XML schemas (published on 20 December 2019)
- Following in-depth review, ICMA identified number of issues and open questions and decided to follow up with ESMA on key concerns:
 - List of over 50 relevant updates, open questions or contradictions identified
 - Ongoing discussions with ESMA on two key concerns:
 - Reporting implications of settlement fails for repo
 - Reporting of variation margin for uncleared repos
 - Increasingly complemented by discussions with key NCAs, including the FCA in the UK

ERCC SFTR Task Force – structure and deliverables

In 2015, ICMA ERCC established its dedicated SFTR Task Force

- Group is open to a **broad range of market participants**, including sell-side, buy-side, market infrastructures, TRs and service providers
- Membership has increased to around 700, representing over 150 firms
- Bi-weekly meetings/calls usually attended by around 200 participants
- Detailed ICMA best practice documents published on 24 February
 - <u>ICMA Recommendations for Reporting under SFTR</u>: 204-page guide setting out common interpretations and best practice recommendations on over 70 issues
 - <u>ICMA SFTR sample reports</u>: concrete reporting examples covering over 30 repo trading scenarios
 - <u>Repo lifecycle event reporting</u>: comprehensive overview table setting out agreed reporting approach for repo lifecycle events
 - All documents continue to evolve to reflect ongoing discussions within the SFTR TF and with ESMA

Published ICMA guidance



ICMA Recommendations for Reporting under SFTR

ICMA European Repo and Collateral Council February 2020



2. ICMA SFTR sample reports:

ICMA ERCC SFTR Task Force - Sample Reports

	type	term	start	repo rate	term.opt.	venue	any special parties	event(s)	collateral
1.1	SBSC	fixed	immediate	fixed	no	отс		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	REQ	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
2.58	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	open	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		newitermination	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	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							

3. Overview table: Reporting of repo lifecycle events:

ICMA Interfect Califi Restart Restarts	Life-cycle events of a repo Last winner 21 Horaw 200					
type of event	event		variant			
collateral management	pre-trade agreement between parties to delegate collisienal management to triperty agent					
	pre-trade agreement to register DTC reps post trade with CCP					
ransaction management		new repoind using "blockbooled bulk 'transaction"	"by agent for allocation to clients			
(rewitades)	miliate new reco	new tri-party repo (initradia), one-dia/ or term				
(reer cases)	and the second se	new everpreen repaiwith repurchase dates which a	new evergreen reps with repurchase dates which automatically change at end of each business day until termination or maturity			
		"rall-over" of maturing repoints new identical repo				
	seller's allocation of collaterality a new DC race	allocation on T				
collatoral management	teres a anotacional con alla non a rien ou repo	allocation after T				
(allocation)	tripate agent's first allocation of collateral	allucation on T				
	reparty agent simplifacearen er colarena	allocation after T				
	automatic registration of electronical v-executed reco with CDP	cleaning by open offer method				
		clearing by same-day novation				
	disclosure of underlying principals by agent to other party in a "block/pooledbulk" agent	kiy repo				
	Itade capture & deal entry into party's books & records					
	verification of terms & settlement details of reports exchange or agreed one-way provision	on of confirmations				
	verification of key terms & settlement details of reports/ affirmation					
		cancel ation of disputed repolibefore external repo	ning			
		agreed change in Variation details (before estern	agreed charge in Vansaction details (before estemal reporting)			
	management of confirmation disputes	cancel ation of disputed rape lafter estimative port	cancel aton if disputed reps (where eliternal reporting)			
			agreed change in transaction details latter external reporting			
			same day nevation			
		execution on "trading venue"	novalian after T			
	cost-trade registration with CDP		same-day novation			
		OTC repution	novation after T			
			CCP rejects or fails to register reporwhich is agreed conditional upon registration by the CCP			
		repoint executed but booked internally by mistake	a without the rest of the rest			
		impointed executed or out of scope of SFTR but rep	orted to trade repository by mistalia			
	Isansaction reporting	Inansaction data incorrectly reported	banaci in dela incorrectivi reported			
		Effe-cade event (eg terninelian, change in size ar re-reing of open reps, ar subsituéurs of colleiene) incorrectly reported				
		"technical netting" of settlement (including pair-off				
		"shaping" of sattement	"shaping" of suffement			
			pre-matching of collateral settlement instructions & held-and-release			
ransaction management		delivery & paument				
(purchase ing service end)		falure to deliver full amount of collateral				
	settlement of purchase leg		T2S auto-collateralization of reportram parment bank to T2S			
	contement or purchase leg		T2S auto-collateralization of reportram client to payment bank			
		inita-day credit from custadian, ((CSD or central bank	intrades auto-collateral cation by central bank in securities settlement system other than T2S les Europeer UKICRESTI			
		Cark	intrades credit to facilitate settlement extended by ICSD against lien on purchased security or existing securities			
			new initiaday reps with custodian or [[CSD to facilitate settlement.			
		1000 August 1000	option 1: secured by lien on other securities in custodial account			
		intra-day autobarrowing of securities from (ICSD	color.2 using Hos			
			option 1 by agreeing to accept a partial delivery protem and wait for full delivery or maturity (no contractual change)			
			option 2 by agreeing to accept the partial delivery as final implemented by option 21 termination same day			
		accept partial delivery	termination & replacement of transaction with reduced size (contractual change) [option 2.2 termination later than same di			
			option 3 by agreeing to accept the collateral that has been delivered as final, implemented by a change in contractual term			

Links:

- ICMA European Repo and Collateral Council
- Further details on the ERCC work in relation to SFTR

SFTR workshops:

- SFTR technical workshops: full-day workshop to focus on SFTR regulatory requirements & ICMA best practices - 7 editions held so far (currently on hold)
- Web-based alternatives are being developed to be announced soon

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