

Securities Finance Transaction Reporting

The Securities Finance Transaction Reporting regulation will require users of SFTs to provide such a high of level of data that the industry solution providers interfacing with Trade Repositories will still require their clients to bridge the data gap. Delta Capita can help

SFTR – What is it?

Securities Finance Transaction Reporting (“SFTR”) is The European Commission’s directive to improve the transparency of Securities Financing Transactions (“SFTs”) which are not currently covered through other regulations.

The new rules for market participants include a requirement to report all SFTs to an approved Trade Repository and new disclosure requirements by UCITS funds and AIFMs on their use of SFTs and certain Total Return Swaps in their prospectuses and periodic reports.

Why?

The European Commission has mandated the improvement of the transparency of Securities Financing Transactions markets which are not currently covered through other regulations and the European Securities & Markets Authority (“ESMA”) has documented the SFTR requirements using recommendations made by the Financial Stability Board (“FSB”) as part of its examination of shadow banking.

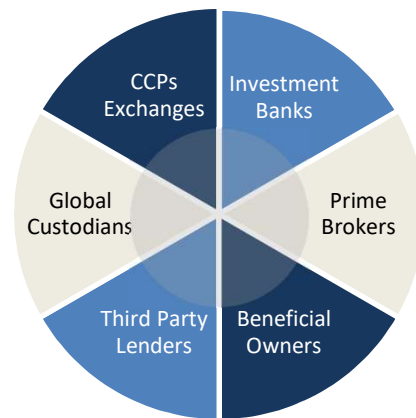
Industry Challenges:-

- Legal Entity Identifier (“LEI”) generation - market participants may not have data within their systems
- Generation of, and linking parties to trades, via a Unique Trade Identifier (“UTI”) throughout trade lifecycle events
- Multiple Trade Repositories and Reporting providers
- Meeting reference data obligations and matching requirements
- Industry-wide agreement to determine time stamp source info ?
- Absence of some data on T+1 e.g. ALD info for borrowers

SFTR – Scope & Impact

- Products - Repo (including Buy-Sell back), SBL, Total Return Swaps and Margin Lending transactions (“SFTs”)
- Reporting – requires ISO 20022 standard, circa 150 fields covering trade attributes and instrument & counterparty details
- Financial and non-financial counterparties (similar categorisation and definition as under EMIR)
- EU based entities, including their non-EU based branches, and non-EU based entities where the SFT is concluded by an EU based branch
- UCITS funds and their management companies, if they utilise SFTs
- AIFMs authorised or registered under AIFMD, if they utilise SFTs

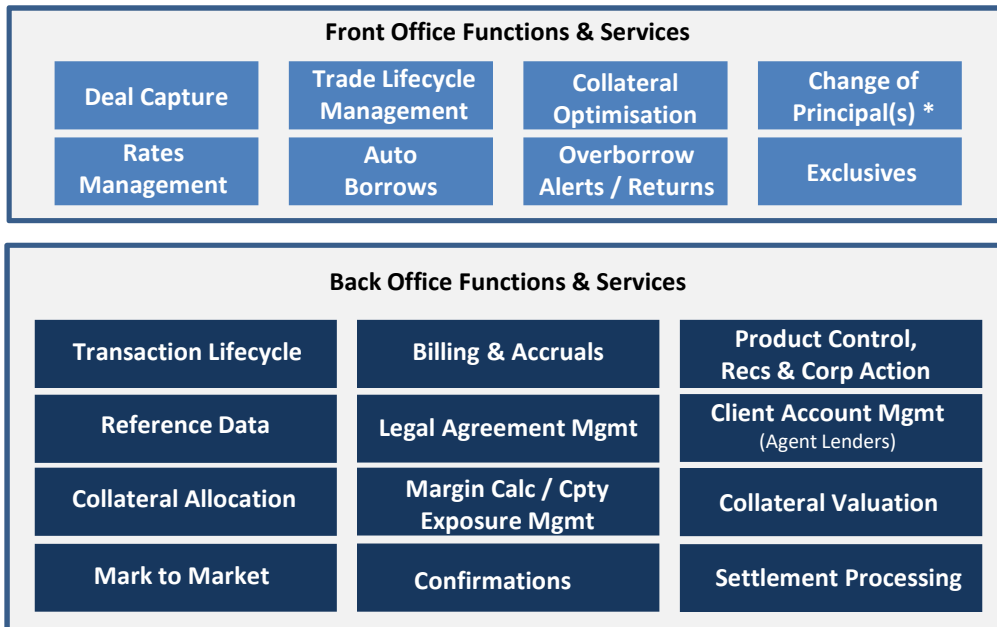
Organisations Impacted by SFTR



Delta Capita’s SFTR value proposition

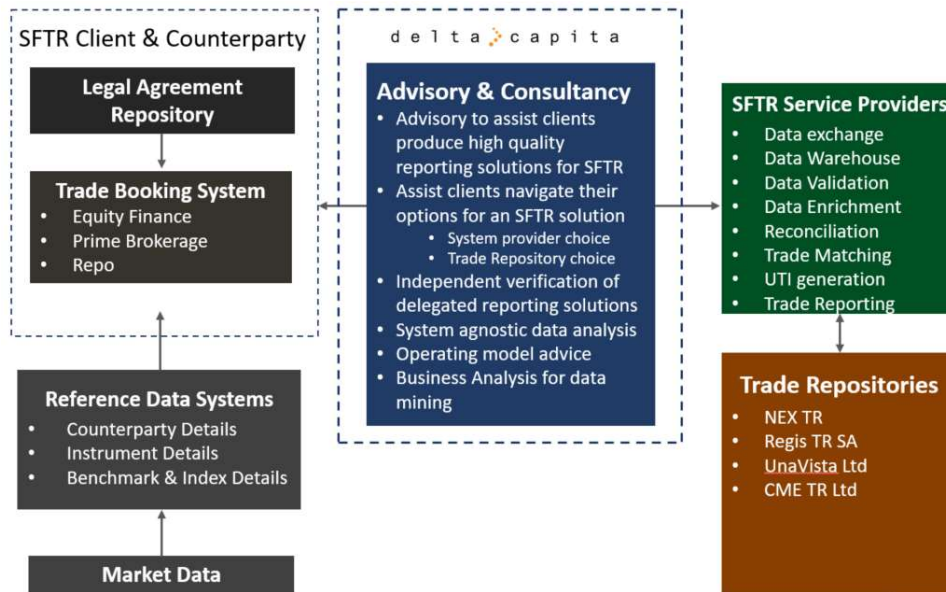
- Assist clients to navigate the options to derive a ‘best fit’ SFTR solution
 - Reporting provider choice
 - Direct Reporting
 - Trade Repository choice
- Independent verification of delegated reporting solutions (e.g. agent lenders and prime brokers reporting on behalf of their clients)
- Operating model advice
- Business Analysis - data mining from multiple source systems for report provision

SFTR - Impacted Functions & Services

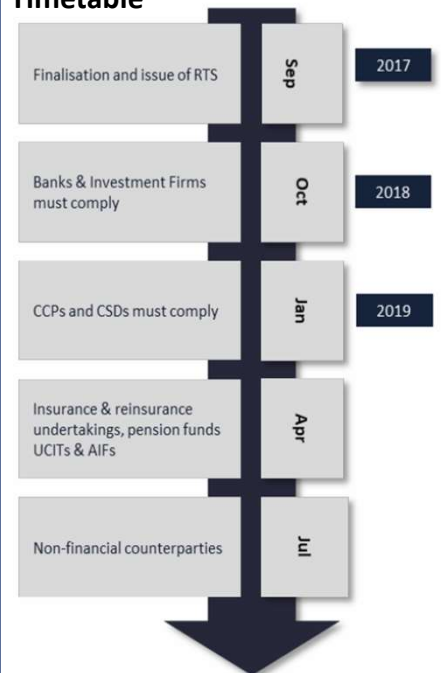


* Agent Lenders may have to reallocate loan principals during the life of a securities loan

SFTR – the Reporting Ecosystem



Timetable



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