

ERCC updates: SFTR - Latest Developments & ICMA Best Practices

30 March 2020



SFTR go-live & Covid-19





- 16 March: <u>Joint ICMA-ISLA letter</u> 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 Reporting Guidelines and accompanying Final Report
 - Amended <u>Validation Rules</u>
 - Statement on the reporting of LEIs (non-EU issuers)
 - Completed by the relevant <u>XML schemas</u> (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
 - ICMA Recommendations for Reporting under SFTR: 204-page guide setting out common interpretations and best practice recommendations on over 70 issues
 - ICMA SFTR sample reports: concrete reporting examples covering over 30 repo trading scenarios
 - Repo lifecycle event reporting: 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



ICMA Recommendations for Reporting under SFTR

ICMA European Repo and Collateral Council February 2020



2. ICMA SFTR sample reports:

٧.	International Capital Market	Overvi	ew table						
	Association	Last me	odified: 21 Fe	hruary 2020	,				
	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	RFQ	small NFC	new	specific
2.4	REPO	fixed	immediate	fixed	no	voice-broker		new	specific
2.5A	REPO	fixed	immediate	fixed	no	отс	agent	new	specific
2.5B	REPO	fixed	immediate	fixed	no	отс	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	отс	-	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 or
2.11	REPO	open	immediate	fixed	no	OTC	agent	new but collateral unknown on T	basket ISIN or
2.12	REPO	fixed	immediate	re-ratable	no	OTC		new	basket ISIN o
2.13	REPO	fixed	immediate	fixed	no	ATS		new	ATS GC facili:
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	отс	clearing member	new (from prior repo)	basket ISIN or
2.17	REPO	fixed	immediate	fixed	no	ATS	clearing member	new (no prior repo)	basket ISIN or
2.18	REPO	fixed	immediate	fixed	no	ATS	clearing member	new (no prior repo)	basket ISIN or
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	отс		new+termination	specific
4.3	REPO	fixed	immediate	re-ratable	evergreen	отс		new+advance+termination	specific
4.4	REPO	fixed	immediate	re-ratable	extendible	отс		new+extension (one-off & into new extendible)	specific
5.1	REPO	fixed	immediate	fixed	ne	отс	central bank	new MiFIR reporting	specific
5.2	REPO	fixed	immediate	fixed	no	OTC	central bank	new MiFIR reporting multiple securities	specific

3. Overview table: Reporting of repo lifecycle events:

ICMA International Count Model Association			Life-cycle events of a repo Last updates: 72 February 2020					
type of event	event		variant					
collateral management	pre-trade agreement between parties to delegate collisional management to triparty age	el						
ransaction management	pre-hade agreement to register OTC repo post hade with CCP	new repo including "blookbooledbulk transaction"	by egent for allocation to clients					
	initiale new repo	new evergreen reps with repurchase dates which a	ree tri-parti vept (inhade; one-day of lent) Tree vergreen reg with inquishase delet with automatically change all end of each business day until termination or maturity Trail-end if instructing region in enclosificial series.					
collateral management	seller's afocation of collateral for a new SIC repo	allocation on T allocation on T	allocation on T					
(allocation)	hipaty agent's first allocation of collateral	allocation on T allocation after T	allocation on T					
	automatic registration of electronically-executed repo with CDP	clearing by open offer method clearing by same-day novation						
	disclarate of underkning principals by agent to ofter party in a "Disclapsoledbush" agency respo trade capture it died entry into party is basis in records							
	verification of terms & settlement details of reporby exchange or agreed one-way provi	ision of confirmations						
	verification of key terms b. settlement details of repolity affirmation							
	management of confirmation disputes	agreed change in transaction details (before estern	cancel aton of disputed rego (before external reporting) agreed change in transaction details (before external reporting)					
			cancel ation of disputed rape (after enternal reporting)					
		agreed change in transaction details (after external reporting)						
		execution on "trading venue"	same day nevation nevation from the T					
	post-trade registration with COP	OTC execution	same-day nevalion novalion novalion after T					
			OCP rejects or fails to register reponithich is agreed conditional upon registration by the CCP					
		repoint executed but booked internally by mistake	rego not executed but basked internally by mistake although not reported importative executed or out of scope of SFTR but reported to hade repositors by mistake					
	Transaction reporting							
			transaction data incorrectly reported					
		pre-cycle event (eg lemmalian, change in size ar i	[life-cycle event (ag terminalian, change in size or re-valing of open repo, or substitution of collebral] incorrectly reported Technical metrics' of settlement (including pair-offs)					
			N .					
		"shaping" of settlement	pre-matching of collateral seffement instructions II half and release					
nsaction management			pre-matching in consistent elements instructions is not owner release.					
purchase leg settlement)			convery a parment. This are in deliver full amount of collected.					
		railure to deliver ruit amount or collateral	TZS auto-colletenication of reporters parment bank to TZS					
	settlement of purchase leg		T2S auto-collegenication of rego from playment dank to 1.25 T2S auto-collegenication of reso from client to payment bank					
		initra-day credit from custodian, [I[CSD or central	intradas auto-collebralization by central bank in securities settlement system other than TZS lea Europlear UNICRESTI					
		bank.	integas, auto-conservations by central park in securities sentement system other than 1.25 (eg Europear Uniture.5.1) Intradau credit to facilitate settlement extended by ICSD against lien on purchased security or existing recurities					
			new intradey repo with custodian or (I) CSD to facilitate settlement.					
		inite-day autobarroving of securities from ITCSD	option 1 secured by lien on other securities in custodial account option 2 using reps					
		accept partial delivery	option 1 by agreeing to accept a partial delivery per tern and wait for full delivery or maturity (no contractual change) option 2 by agreeing to accept the partial delivery as final implemented by potential termination to epitalize and interest of the acceptance of the potential of the appear of the properties of the acceptance of					

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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