ICMA
International Capital Market Association

ICMA Recommendations for Reporting under SFTR

ICMA European Repo and Collateral Council

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About ICMA

The **International Capital Market Association** (ICMA) has over 580 members located in 62 countries worldwide drawn from both the sell side and buy-side of the market. It is primarily a pan-European association but with strong links and a growing number of members outside Europe. ICMA market conventions and standards have been the pillars of the international debt market for almost 50 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market.

Since the early 1990's, ICMA has played a significant role in promoting the interests and activities of the international repo market, and of the product itself. The **European Repo and Collateral Council** (ERCC) was established by the ICMA in December 1999, to represent the cross-border repo and collateral markets in Europe and has become the industry representative body that has fashioned consensus solutions to the emerging, practical issues in a rapidly evolving marketplace, consolidating and codifying best market practice.

In 2015, the ICMA ERCC created its dedicated **ERCC SFTR Task Force**. The group includes representatives from over 150 firms covering the whole spectrum of the market, including buy-side, sell-side, market infrastructure providers, but also trade repositories and relevant third-party service providers that are offering SFTR reporting solutions. The main objective of the SFTR Task Force is to develop a common understanding of the requirements and to develop market best practices in relation to SFTR reporting to complement guidance provided by regulators. The work is undertaken in close collaboration with other trade associations and the relevant regulators, in particular ESMA.

*This guide has been authored by **Richard Comotto**, Senior Adviser to the ICMA, and is reflective of substantial input from members of the ERCC's SFTR Task Force.*

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Preface

The new reporting regime introduced by the EU Securities Financing Transactions Regulation (SFTR) will start its phased implementation in April 2020 and will require detailed reporting by EU-incorporated or located entities of all securities financing transactions (including repo and reverse repo) to authorised trade repositories.[1] This measure has been introduced to improve the transparency and regulatory oversight of the EU SFT market.

The Regulation introduces extremely granular daily reporting requirements for repos and other types of SFTs, which pose a significant challenge for the industry. In total, SFTR sets out 155 reporting fields (118 are applicable to repo), most of which require the data from both sides of the trade to match with no or very limited tolerance. In addition, firms will have to report any modifications, terminations and corrections throughout the life cycle of a trade and report on a daily basis collateral market values, collateral reuse and margins.

The ICMA Guide supports members in their SFTR implementation efforts. It offers help to interpret the regulatory reporting framework specified by ESMA and sets out best practice recommendations to provide additional clarity and address ambiguities in the official guidance. It is supplemented by a suite of sample reports and an overview of repo life-cycle event reporting, which have both been published alongside the Guide.

ICMA has played a leading role in steering the industry response to the challenges of SFTR reporting, through the European Repo and Collateral Council's dedicated SFTR Task Force which represents over 150 firms covering the whole spectrum of the market. The group includes reporting firms from both the buy-side and the sell-side but also market infrastructures, as well as third-party service providers looking to develop solutions to help reporting firms comply with SFTR. The Guide is based on feedback from members of the SFTR Task Force and defines a market consensus on over 70 issues. It is not a static document but will evolve as we move closer to the reporting go-live date in April. The intensive cross industry collaboration coordinated by ICMA through the Task Force reflects the scale of the challenge that SFTR poses to repo and other SFT markets. Collectively it has succeeded in creating a clear and authoritative 'how to' guide for anyone obliged to report under SFTR, that supports the objective of the regulation by facilitating good data quality from the market to enhance transparency.

Complementing the work on best practices, ICMA actively provides support and technical training on the requirements of SFTR, running numerous workshops and webinars, operating a well- used 'help line' for members and participating in industry events.

Martin Scheck
ICMA Chief Executive

24 February 2020

[1] Since the end of the post-Brexit transition period on 31 December 2020, SFT counterparties incorporated or located in the UK are subject to the UK's version of SFTR, reporting to UK authorised trade repositories. The ICMA SFTR recommendations are meant to cover both reporting regimes.

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Purpose and scope of the Guide

- This Guide is published by ICMA's European Repo and Collateral Council ("ERCC"). It is targeted at financial or non-financial counterparties to securities financing transactions, specifically repos, who have a direct reporting obligation under either the EU SFT Regulation (EU SFTR) or its UK counterpart (UK SFTR), as well as relevant market infrastructure providers and any other service providers that offer SFTR reporting solutions. The overarching aim of the Guide is to establish among stakeholders a common understanding of the relevant reporting rules and definitions. It is hoped the Guide will thereby reduce reconciliation breaks and the consequent operational burden for the industry but also increase the quality of the reported data. To this end, the Guide sets out agreed understandings of the reporting requirements under SFTR as set out in the regulatory texts (see *Official SFTR sources*) and guidance, and provides recommendations to supplement the legal framework by providing complementary informal guidance.

- The Guide is not an alternative to the regulatory texts and the practices set out therein are recommendations only. In case of conflicts between this Guide and the regulatory texts or guidance provided by ESMA or National Competent Authorities (NCAs), the Regulatory Texts and official guidance take precedence.

- The Guide applies to both repurchase transactions and buy/sell-backs, which are both types of repo. It does not explicitly provide guidance on the reporting of other types of SFT defined in the SFTR, such as securities lending transactions or margin lending transactions, although some overlap is inevitable as many of the issues are common across SFTs. On common topics, ICMA has attempted to coordinate closely with other relevant trade bodies, in particular, ISLA.

- The Guide will be updated from time to time to reflect additional guidance from ESMA and/or the NCAs or changes in the market consensus in relation to specific questions or market practice. The latest version of the Guide is posted on the ICMA website at www.icmagroup.org/sftr. ICMA will publish updates but readers should periodically check the ICMA website to ensure that they are using the latest version of the Guide.

- Questions about the Guide, as well as suggestions for change or improvement, should be addressed to the ICMA ERCC at the offices of ICMA Ltd at 23 College Hill, London EC4R 2RP or ercc@icmagroup.org.

- This document is provided for information purposes only and should not be relied upon as legal, financial, or other professional advice. While the information contained herein is taken from sources believed to be reliable, ICMA does not represent or warrant that it is accurate or complete and neither ICMA, nor its employees, shall have any liability arising from or relating to the use of this publication or its contents.

List of abbreviations

ABS	asset-backed security
AFME	Association for Financial Markets in Europe
AIF	Alternative Investment Fund (as defined in Directive 2011/61/EU of 8 June 2011 on Alternative Investment Fund Managers)
AIFM	Alternative Investment Fund Manager
ANNA	Association of National Numbering Agencies
ATS	automatic trading system
BIS	Bank for International Settlements
CC&G	Cassa di Compensazione e Guaranzia SpA
CCP	central (clearing) counterparty
CFI	Classification of Financial Instruments (ISO 10962)
CSD	central securities depository (defined in the EU in Regulation (EU) No 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories)
DTCC	Depository Trust & Clearing Corporation
ECB	European Central Bank
EMIR	European Markets and Infrastructure Regulation (Regulation (EU) No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories)
ESMA	European Securities and Markets Authority
ETCMS	Euroclear Trade Capture and Matching Service
ETF	exchange-traded fund
€GCPlus	GCFF in euro offered by LCH SA
FCA	Financial Conduct Authority

FICC	Fixed-Income Clearing Corporation
FIRDS	Financial Instruments Reference Data System
FSB	Financial Stability Board
GC	general collateral
GCF	General Collateral Financing service offered by FICC
GCFF	general collateral financing facility
GCP	GC Pooling market of Eurex Repo
GLEIF	Global Legal Entity Identifier Foundation
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
GSD	Government Securities Division (of FICC)
HQLA	High Quality Liquid Assets
ICMA	International Capital Market Association
ICSD	international central securities depository
IDB	interdealer broker
ISDA	International Swaps and Derivatives Association
ISIN	International Securities Identification Number (ISO 6166)
ISLA	International Securities Lending Association
ISO	International Standards Organization
ITS	Implementing Technical Standards
LCH	London Clearing House
LCR	Liquidity Coverage Ratio
LEI	Legal Entity Identifier

MBS	mortgage-backed security
MIC	Market Identifier Code (IS0 10383)
MiFID	Market in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments)
MiFIR	Market in Financial Instruments Regulation (Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments)
MTF	Multilateral Trading Facility
MTS	Mercato Titoli di Stato
NACE	Nomenclature des Activités Économiques dans la Communauté Européenne
NCA	national competent authority
NFC	non-financial counterparty
OTC	over-the-counter
OTF	Organized Trading Facility (as defined in MiFID II)
PSE	public sector enterprise
RTN	Report Tracking Number
RTS	Regulatory Technical Standards
RWA	risk-weighted asset
SFT	securities financing transaction
SFTR	Securities Financing Transaction Regulation (Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse)
£GC	GCFF in sterling offered by LCH Ltd
T2S	TARGET2 Securities
TR	trade repository

UCITS	Undertakings for Collective Investment in Transferable Securities (Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)
UTC	Co-ordinated Universal Time
UTI	Unique Transaction Identifier

Official SFTR sources

SFTR	Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on Transparency of Securities Financing Transactions and of Reuse and Amending Regulation (EU) No 648/2012
RTS on transaction reporting	Commission Delegated Regulation (EU) 2019/357 of 13.12.2018 supplementing Regulation (EU) 2015/2365 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of securities financing transactions (SFTs) to be reported to trade repositories
ITS on transaction reporting	Commission Implementing Regulation (EU) 2019/363 of 13.12.2018 laying down implementing technical standards with regard to the format and frequency of reports on the details of securities financing transactions (SFTs) to trade repositories in accordance with Regulation (EU) 2015/2365 of the European Parliament and of the Council and amending Implementing Regulation (EU) No 1247/2012 with regard to the use of reporting codes in the reporting of derivative contracts
RTS on trade repositories	Commission Delegated Regulation (EU) 2019/358 of 13.12.2018 supplementing Regulation (EU) 2015/2365 of the European Parliament and of the Council with regard to regulatory technical standards on the collection, verification, aggregation, comparison and publication of data on securities financing transactions (SFTs) by trade repositories
RTS on access to data in trade repositories	Commission Delegated Regulation (EU) 2019/357 of 13 December 2018 supplementing Regulation (EU) 2015/2365 of the European Parliament and of the Council with regard to regulatory technical standards on access to details of securities financing transactions (SFTs) held in trade repositories

ESMA Final Reports	Final Report. Guidelines on reporting under Articles 4 and 12 SFTR (ESMA70-151-2703) of 06 January 2020 Final Report on Technical standards under SFTR and certain amendments to EMIR (ESMA70-708036281-82) of 31 March 2017
ESMA Guidelines	Guidelines. Reporting under Article 4 and 12 SFTR (ESMA70-151-2838) of 06 January 2020 Consultation Paper. Guidelines for reporting under Article 4 and 12 SFTR (ESMA70-151-1985) of 23 May 2019
ESMA Validation Rules	SFTR Validation Rules (ESMA70-151-1019) of 06 January 2020 SFTR Validation Rules (ESMA70-151-1019) of 31 October 2019 SFTR Validation Rules (ESMA70-151-1019) of 27 May 2019

1. Scope of SFTR reporting obligations

1.1 Do repos with central banks have to be reported?

According to EU SFTR Article 2(3), transactions with members of the European System of Central Banks (ESCB) do not have to be reported under SFTR. The ESCB consists of the European Central Bank (ECB) and the national central banks (NCBs) of all 27 member states of the EU.[2]

The reporting exemption for transactions with EU central banks applies to all repos transacted with the relevant central banks, including those that they transact on a commercial basis for reserve management purposes as well as those that they transact as part of monetary policy operations.

ESMA's draft Guidelines of May 2019 (p.152, para.372) also expressly require the exclusion from re-use calculations of collateral received from and posted to members of the ESCB, and securities lending to and borrowing from such entities (see recommendation 10.3). This conclusion was confirmed in ESMA's final Guidelines of January 2020 (para.407).

Because SFTs transacted with ESCB central banks are exempted from SFTR reporting, they are in scope for MiFIR transaction reporting requirements under Article 2(5)(penultimate sub-paragraph) of Delegated Regulation (EU) 2017/590. However, it is recommended that the MiFIR reporting requirement for SFTs with ESCB central banks should not be applied to EU central bank auto-collateralizations. The same recommendation applies to central bank auto-collateralization in the UK. See recommendations 1.6 and 1.11.

Note that the provision in Article 2(4) of SFTR delegating power to the European Commission to amend the list of exemptions in Article 2(2) merely allows additional public institutions to be exempted from their reporting obligations under Article 4 and their re-use requirements under Article 15. It does not remove SFTs transacted with those additional institutions from the reporting obligations of other EU-established or located entities. Only transactions with members of the ESCB do not have to be reported under SFTR. Thus, SFTs transacted with the Bank of England after the Brexit transition period will have to be reported under SFTR by entities established or located in the EU, despite the Bank's exemption under Article 2(4).

However, parties subject to SFTR in the UK will not have to report SFTs transacted with ESCB central banks, as these will be exempt under the FCA's Temporary Transitional Powers (TTP) until 31 March 2022. [3] See recommendation 1.11 and recommendation 1.16.

[2] SFTR Article 2(2) exempts members of the ESCB, other EU bodies "performing similar functions", EU public debt management agencies and the BIS from reporting their SFTs but does not exempt EU-incorporated or located entities from reporting SFTs with these institutions.

[3] After 31 March 2022, unless there is a change in the Binding Technical Standards, entities reporting under UK SFTR would have to report SFTs with members of the ESCB under both UK MiFIR and UK SFTR.

Note also that non-EU central banks with offices in the EU or the UK who are trading repos are classified as non-financial entities for the purpose of *Table 1, field 5, Sector of the Reporting Counterparty,* and are specifically included in category *K, Financial and Insurance Activities*.

Recommendation: In the EU, repos with central banks which are members of the ESCB should not be reported under SFTR nor should collateral received from or posted to these institutions, or securities lending and borrowing transactions with these institutions, be included in re-use calculations. In the UK, the same rules apply to repos with the Bank of England and members of the ESCB. However, such repos will need to be reported under MiFIR, except where the transaction is an auto-collateralized repo with an EU central bank in the case of EU SFTR or auto-collateralized repo with the Bank of England or an EU central bank in the case of UK SFTR.

1.2 Reporting repos with small EU non-financial companies

Article 4(3) of SFTR delegates the reporting of SFTs concluded between an EU financial entity and a small non-financial EU entity, as well as the reporting of CCP margins and the re-use of collateral by the latter, to the EU financial entity. This obligation applied nine months after the Report Starting Date (RSD, also known as the "go-live date") for the financial entity's own reporting obligation (see SFTR Article 33(2)(a)(iv)), although financial entities were free to choose to start delegated reporting when their own reporting obligations started. There is no provision for small non-financial EU entities to contractually take back the reporting obligation delegated to their EU financial counterparties.

An EU financial entity to which a reporting obligation on behalf of a small EU non-financial entity has been delegated is only responsible for reporting re-use on behalf of the non-financial entity while there is an outstanding SFT between them.

If the small EU non-financial entity has repos outstanding with more than one EU financial entity at the same time, all of the financial entities will have to report re-use on the behalf of that non-financial entity but each financial entity will only have to report re-use in respect of ISINs which it has repoed to the small non-financial entity. However, the small EU non-financial entity is responsible for calculating the re-use and providing the estimate to the EU financial entity (Guidelines of January 2020, p.184, para.401).

Note that this mandatory delegated reporting obligation applies only to SFTs concluded by non-financial entities established in the EU with financial entities subject to SFTR.[4] So, if a non-financial entity that is established in the EU concludes an SFT with a financial entity established outside the EU and operating through an office located outside the EU (which therefore excludes an EU branch of a non-EU financial entity), the latter is not subject to the SFTR, so the non-financial entity would be responsible for its own reporting.

Small non-financial entities for the purpose of SFTR are defined by reference to the definition of "medium-sized undertakings" in Article 3(3) of the EU Accounting Directive (2013/34/EU) as those which 'on their balance sheet dates do not exceed the limits of at least two of the three following criteria:

- balance sheet total: EUR 20 000 000;
- net turnover: EUR 40 000 000;
- average number of employees during the financial year: 250.

Note that the definition of a small non-financial entity under SFTR is different from that of a so-called NFC- under EMIR.

[4] SFTR Article 3(5) defines "established" as:
(a) if the counterparty is a natural person, where it has its head office;
(b) if the counterparty is a legal person, where it has its registered office;
(c) if the counterparty has, under its national law, no registered office, where it has its head office.

In its Final Report of March 2017 (p.36, para. 90), ESMA refers to "…NFCs checking their status as small NFCs and informing their counterparties…". And in the final Guidelines of January 2020, ESMA expressly state that the obligation to determine the size of an EU non-financial entity falls on the non-financial entity itself. The obligation on small EU non-financial entities to inform their EU financial counterparties of their status as a small non-financial entity has been confirmed in ESMA's Q&A 8(a), published in January 2021. This also extends the obligation on small EU non-financial entities to provide the following data to their EU financial counterparties as regards their repo business:

- *Table 1, field 3, Reporting Counterparty* = LEI
- *Table 1, field 4, Nature of the Reporting Counterparty* = N
- *Table 1, field 5, Sector of the Reporting Counterparty*
- *Table 1, field 6, Additional Sector Classification* (if applicable)
- *Table 1, field 7, Branch of the Reporting Counterparty* (if applicable)
- *Table 1, field 13, Beneficiary* (if applicable)
- *Table 1, field 14, Triparty Agent* (if applicable)
- *Table 1, field 15, Broker* (if applicable)
- *Table 1, field 16, Clearing Member* (if applicable)
- *Table 1, field 17, CSD Participant or Indirect Participant*
- *Table 1, field 18, Agent Lender* (if applicable)
- *Table 4, field 8, Value of Reused Collateral* (or 4.9)
- *Table 4, field 9, Estimated Reuse of Collateral* (or 4.8)

If a small EU non-financial entity fails to provide its EU financial counterparties with the above data in time to meet reporting deadlines, ESMA requires the financial counterparties to report within the deadlines nevertheless, even though the above data fields will not be filled in. In these circumstances, financial counterparties should record the failure of the non-financial entity to provide the missing data by the deadline in order to be able to demonstrate to the regulator that it was not the source of the problem.

ESMA has not clarified when a re-assessment of the size of a small EU non-financial entity should take place, which would be the moment at which its reporting obligation could be delegated or repatriated. However, given the fact that the definition of a small EU non-financial entity is based on the Accounting Directive, which requires annual reports to be published annually (within 12 months of the date of the balance sheet in the annual report) and given that those annual reports carry the data needed to determine whether a non-financial entity is small for the purposes of SFTR, it is recommended that the re-assessment of its size by an EU non-financial entity should also be annual, on the date of publication of the annual report (not on the date of the balance sheet in the report).

This recommendation is consistent with ESMA's Q&A 8(c), which not that the required information about the status of a non-financial entity is in its annual report. ESMA recognizes that financial counterparties cannot be reasonably expected to possess this information. ESMA also expects the non-financial entity to inform its EU financial counterparties of any expected change in status ahead of publication of its annual report in order to avoid any disruption to the continuity of reporting.

However, should an EU non-financial entity fail to inform its EU financial counterparties of its status as a small non-financial entity, when the financial counterparties are made aware, they are required to retrospectively submit the run of reports that should have been sent by the financial counterparties.

If an EU non-financial entity and its EU financial counterparties report to different trade repositories, and the non-financial entity becomes a small non-financial entity, ESMA requires that, unless the financial counterparties agree to become clients of the other trade repository, the small non-financial entity should transfer the reports of all its outstanding repos with the financial counterparties to their trade repositories. Moreover, if the non-financial entity ceases to be small in a subsequent year, unless it agrees to become a client of the other trade repositories, it should transfer the reports of all its outstanding repos with the financial counterparties back to its own trade repository. See Q&A 8(d).

Given the risk that the status of an EU non-financial entity may change from one year to the next and given the inconvenience to EU financial counterparties of having to catch up with the reporting that would have taken place had they been made aware of the non-financial entity's status, it would also be prudent for EU financial counterparties to:

- consider including a representation in the legal agreement with non-financial entities requiring them to promptly communicate a change in status to the financial counterparty;
- consider assuming (subject to agreement with the non-financial entity) the obligation of delegated reporting for non-financial entities where its size is above but close to the limits (perhaps calculated by applying a margin reflecting historical variations in their size);
- make contingency plans and provisions for a prompt switch to delegated reporting in the event that the latest annual accounts of a non-financial entity reveal that it has fallen in size below the limits.

Note that the extent of the delegated reporting obligation for small EU non-financial entities may be reduced by the fact that many small non-financial entities will be unable to borrow money from investment firms through repos because Article 16(10) of MiFID II prohibits retail clients from giving collateral through a title transfer collateral arrangement with investment firms.[5] [6]

Note also that, under UK SFTR, non-financial entities do not have to report repos, margins on CCP-cleared repos or re-use of collateral, and financial entities do not have an obligation to report on behalf of small non-financial entities. However, the reporting obligations of parties that continue to be subject to EU SFTR by virtue of establishment or location in the EU are unchanged.

Recommendation: It should be assumed that the reporting obligation on a small EU non-financial entity transacting repos with an EU financial counterparty changes only annually, on the date

[5] In fact, non-financial entities will only be able to do repos to investment firms if they have (1) a large enough balance sheet and net turnover or (2) a large enough balance sheet and enough own funds. Mandatory delegated reporting for the second group will be limited to those with an average of less than 250 employees.

[6] The definition of "retail" in MiFID includes undertakings falling below at least two of the following criteria:

- balance sheet total: EUR 20 000 000;
- net turnover: EUR 40 000 000;
- own funds at least: EUR 2,000.000.

when the data required to assess the size of the small EU non-financial entity is published in its annual report.

1.3 Is a repo by a branch of a non-EU entity located in the EU or non-UK entity located in the UK reportable if the repo is booked with its head office?

If a branch that is located in the EU of a legal entity that is established in a country outside the EU (a 'third country') negotiates a repo with another legal entity (in any country, whether in the EU or outside) but the transaction is "booked" by the head office, it has been argued that, for the purposes of SFTR, the head office rather than the branch would have "concluded" the repo and it should therefore not have to be reported (by the branch or, given that it is established and located outside the EU, by the head office).[7]

However, SFTR is not limited to repos concluded by a branch, whatever the meaning of "conclusion". The reporting obligation actually applies to "a counterparty to an SFT that is established…in a third country, if the SFT is concluded in the course of the operations of a branch in the Union" (Article 2(1)(a)(ii)). In the case of the repo in the above example, its negotiation could be considered an operation of the branch.

ESMA sought to clarify the meaning of "conclusion" in its Guidelines of May 2019 but conclusively resolved the question in its final Guidelines and Final Report of January 2020, in which it expressly excluded the EU branches of third-country entities from SFTR reporting obligations where SFTs are booked with the non-EU head office (p.16, para.63; p.19, para.63 and pp.32-33, paras.137-144). It says that this approach is based on a broader interpretation of "conclusion" and is seen as more consistent with EMIR, focuses on risk rather than the activities of individuals and overcomes numerous practicable reporting difficulties.[8]

The same rule and guidance apply to repo negotiated by a branch in the UK of a legal entity established outside the UK.

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[7] SFTR Article 3(6) defines a "branch" as "a place of business other than the head office which is part of a counterparty and which has no legal personality".

[8] In its draft Guidelines of May 2019 (pp.26-27, para.102 of 100-103), ESMA proposed that "conclusion" by a branch requires one of the following conditions to be met. These are taken from Article 14 of Delegated Regulation 2017/590 supplementing MiFIR.

a. where the branch received the order from a client or made an investment decision for a client in accordance with a discretionary mandate given to it by the client;

b. where the branch has supervisory responsibility for the person responsible for the investment decision concerned;

c. where the branch has supervisory responsibility for the person responsible for execution of the transaction;

d. where the transaction was executed on a trading venue or an organised trading platform located outside the Union using the branch's membership of that trading venue or an organised trading platform.

In fact, these conditions are not used in Regulation 2017/590 to define what is meant by "conclusion" by a branch but to determine which country code should be reported for the branch. Moreover, conditions (b) and (c) appear superfluous for the purpose of SFTR. A client order would be subject to reporting by a branch under condition (a) simply as a result of having been received directly by the branch or being the result of a discretionary investment decision made by the branch on behalf of the client regardless of the location of supervisory responsibilities for investment decisions. And any order executed by any entity located in the EU would anyway be reportable under SFTR regardless of the location of supervisory responsibilities for execution. In the end, ESMA's guidance gave rise to more questions. What if a client order is routed via the parent? And what about orders from entities other than clients? Are these to be regarded as having been concluded outside the branch?

1.4 Should collateral swaps, liquidity swaps and other collateral transformation transactions be reported?

Collateral swaps and liquidity swaps should be reported under SFTR (see SFTR Recital 7 and Final Report, p.12, para.1). These and similar transactions such as collateral upgrade trades are forms of "collateral transformation" whereby a holder of one type of security temporarily exchanges that security for another type. A common motive for collateral transformation is to secure a High Quality Liquidity Asset (HQLA) for the purpose of meeting the Liquidity Coverage Ratio (LCR).

Collateral transformation --- eg into security A from security Z (but note that multiple securities can be transformed) --- can be performed by either:

- securities borrowing transaction, in which security Z is given as collateral and security A is received as a loaned security;
- reverse repo of security A and a repo of security Z (*Table 2, field 4, Type of SFT* = REPO/SBSC) executed back to back for the same purchase prices and repurchase dates (but usually different repo rates and therefore repurchase prices).

The back-to-back reverse repo v repo form of a collateral/liquidity swap should be reported as two separate transactions.

Recommendation: Collateral swaps, liquidity swaps and similar collateral transformations should be reported under SFTR. If they are composed of a back-to-back reverse repo and repo, they should be reported as two separate and unrelated transactions, each with its own UTI.

1.5 How should intra-day repos be reported?

1.5.1 Intra-day repos with custodians

Custodians who are also credit institutions sometimes provide intra-day credit to clients to facilitate securities settlement where a temporary shortage of cash is holding back the settlement of a purchase of a security. ESMA believes that such intra-day lending to facilitate securities settlement, which it calls "daylight lending", is also used to cover daylight risk to custodians arising in delivery-versus-payment (DVP) settlement and also in mismatches between periodic net payments by custodians to and from clients and real-time gross payments by custodians on behalf of clients across securities settlement systems (see ESMA's draft Guidelines of May 2019 (p.14, paras. 25-26). ESMA assumes daylight lending facilities consist of credit secured by liens which custodians take on securities in the settlement accounts of clients. On the grounds that (1) the underlying transactions being facilitated will be reported under SFTR, MiFID/MiFIR or EMIR and (2) the volumes of intraday lending extended and the liens taken by custodians are likely to obscure SFT-specific risks and would be extremely burdensome to report, ESMA concluded that, "ESMA is of the opinion that custody relationships and CCP [sic] "daylight lending" facilities do not fall under the definition of SFT" (pp.14-15, para. 27).[9] As intraday repos for the purpose of facilitating settlement are part of daylight settlement facilities, it decided that they should not be reported.

In addition to daylight lending secured by liens on assets in custody, custodians can use intra-day repos to facilitate settlement. However, such use of repo would appear to be reportable under SFTR, given the treatment of auto-collateralized repos extended by custodians --- see recommendation 1.6.

Although ESMA only refers to the daylight lending facilities of custodians, this should be taken to include ICSDs given that they act as global custodians.

1.5.2 Intra-day repos with the market

Where an intra-day repo is transacted between parties other than to facilitate securities settlement, it will have to be reported under SFTR. For such an intra-day repo:

- *Table 2, field 14, Maturity Date* = *Table 2, field 13, Value Date* = the date in *Table 2, field 12, Execution Timestamp* = *Table 2, field 3, Event Date.*

If the collateral allocation is agreed when the transaction is executed, the collateral should be reported in the initial loan report. If the collateral allocation is not known in time to include in the initial loan report because it is managed by a tri-party agent, that report should include:

- *Table 2, field 96, Collateral Basket Identifier* = basket ISIN or NTAV (not available)

[9] The exclusive reference to *CCPs* in this sentence is probably incorrect given that the first sentence of the same paragraph talks of "CCPs or other financial counterparties". *CCPs* are identified in paragraphs 25 and 26 as significant users of such facilities at custodians.

Because intra-day repos mature before the end of the day, there will be no collateral balance to update at the end of the day (note than collateral update reports only report end-of-day balances). But there needs to be a collateral update report showing the zero balance (p.24, section 4.9.3, para.103 of the final Guidelines of January 2020). This is an exception to the rule that collateral update reports are not necessary on the maturity date of an SFT and is recommended in order to fulfil the requirement to make at least one collateral update report for a transaction (which arises because a loan report sent without the details of the collateral will lead the trade repository to expect a collateral update report).

Recommendation 1: Intra-day repos, even to facilitate settlement, should be reported.

Recommendation 2: When reporting an intra-day repo, if it is not possible to report a collateral allocation in the initial loan report, the end-of-day collateral update report should show zero collateral.

1.6 Should auto-collateralized intra-day cash borrowing be reported?

"Auto-collateralization" is a credit facility that, within limits and subject to collateral haircuts, automatically provides intra-day credit to a participant in a securities settlement system who is purchasing securities when the system detects an insufficiency of cash in that party's account in order to ensure settlement. There are two types of auto-collateralization:

- credit from a central bank to a payment bank --- called "central bank auto-collateralization";
- credit from a payment bank to one of its clients (a CSD participant) --- called "client auto-collateralization".

The collateral can be either (1) the securities being purchased ("flow" auto-collateralization) or (2) unencumbered securities already held by the party ("stock" auto-collateralization). Stock auto-collateralization is used when, for example, the securities being purchased are not eligible as collateral at the central bank.

Auto-collateralization provided independently by a custodian --- client auto-collateralization --- is an SFT and so should be reported under SFTR. This was confirmed by ESMA in its Final Report of January 2020 (p.17, paras.45 & 47).

On the other hand, auto-collateralization provided by an EU central bank --- central bank auto-collateralization --- is exempt from reporting under SFTR because one of the parties is a member of the ESCB.[10] [11] In the case of auto-collateralization in T2S, both the limbs --- from central bank to payment bank and from payment bank to client --- are seen as tightly connected and so are both regarded as part of central bank auto-collateralization and neither limb should be reported under SFTR.

But does central bank auto-collateralization have to be reported under MiFIR in the absence of reporting under SFTR? This issue was one of the subjects of an e-mail of 21 August 2017 from ESMA to AFME in response to a request by AFME in March 2017 for clarification of various issues arising under MiFID II and MiFIR, including AFME's analysis that T2S auto-collateralizations would not be reportable under MiFIR. In the light of ESMA's response, it is recommended that central bank auto-collateralization should not be reported under MiFIR on the grounds that, under Article 2(5)(b) of MiFIR RTS22, auto-collateralization is exempt by virtue of being "a contract arising exclusively for clearing or settlement purposes". In addition, there is no possibility for market

[10] Note that an auto-collateralized repo provided by a central bank may involve a payment bank acting as a conduit for flows of cash and collateral between the central bank and a participant in the securities settlement system but there is no repo between the payment bank and the participant, as evidenced by the fact that there is only one set of settlement instructions in the auto-collateralization. The payment bank is merely inserted into the process to simplify the operational task of the central bank. For a more detailed description of the auto-collateralization process, see the T2S Special Series on T2S Auto-collateralization (Issue No.2, October 2012).

[11] In addition, ESMA noted, in its draft Guidelines of May 2019, that central bank auto-collateralization in the case of T2S was managed by EU central banks and did not involve the lending of securities, which made it similar to the overdraft facilities that are sometimes offered as part of the fails-curing programmes of CSDs, which are monitored under CSDR and are not considered by ESMA to be SFTs (p.17, para.43; see also pp.16-17, paras.39-41).

abuse and hence it may not fall under article 2 (2) + (3), in other words, there is no acquisition or disposal of financial instruments.[12] See recommendations 1.1 and 1.11.

In the case of the UK auto-collateralization facility provided by Euroclear UKI (CREST), called Auto Collateralized Repo (ACR) but sometimes known as Self Collateralized Repo (SCR), the two limbs --- from the Bank of England to the CREST "settlement bank" and from the settlement bank to the client --- are separate repos and do not always match. Therefore, while it is clear that ACRs between the Bank of England and settlement banks should not be reported under UK SFTR and, on the same grounds as argued for T2S under EU SFTR, it is recommended that they should also not be reported under UK MiFIR, there would appear to be a consensus that ACRs between settlement banks and clients should be reported under UK SFTR where this is applicable.

Each ACR between a settlement bank and a client is an intra-day repurchase transaction under the GMRA. Initial reports would include the following fields:

- Table 1, field 9, *Counterparty Side* = [CREST field = stock_debt_or_credit]
- Table 1, field 11, *Other Counterparty* = [CREST = counterparty_LEI]
- Table 2, field 4, *Type of SFT* = REPO
- Table 2, field 8, *Trading Venue* = XXXX
- Table 2, field 9, *Master Agreement Type* = GMRA
- Table 2, field 11, *Master Agreement Version* = [year of publication]
- Table 2, field 12, *Execution Timestamp* = [CREST fields = settlement_date + settlement_time_GMT]
- Table 2, field 13, *Value Date* = [CREST field = settlement_date]
- Table 2, field 14, *Maturity Date* = [field 2.13]
- Table 2, field 18, *General Collateral Indicator* = GENE[13]
- Table 2, field 19, DBV Indicator = TRUE
- Table 2, field 23, *Fixed Rate* = 0
- Table 2, field 37, *Principal Amount on Value Date* = [CREST field = consideration]
- Table 2, field 38, *Principal Amount on Maturity Date* = [field 2.37]
- Table 2, field 39, *Principal Amount Currency* = [CREST field = consideration_ccy]
- Table 2, field 73, *Collateralization of Net Exposure* = FALSE
- Table 2, field 78, *Identification of a Security Used as Collateral* = [CREST field = ISIN][14]
- Table 2, field 83, *Collateral Quantity or Nominal Amount* = [CREST field = quantity]
- Table 2, field 86, *Price Currency* = [CREST field = security_price_currency]
- Table 2, field 87, *Price Per Unit* = [CREST field = security_bid_price]
- Table 2, field 88, *Collateral Market Value* = [CREST field = value_GBP]
- Table 2, field 91, *Maturity of the Security* = [CREST field = redemption_date]

[12] Note, however, that ESMA's response was not a definitive endorsement of AFME's interpretation but it does carry weight given that it represents the consensus among Competent Authorities and that there has been no subsequent official guidance to the contrary. In an e-mail of 8 May 2020 to ICMA, ESMA states that the concept of "transaction" that should be used for the purpose of reporting is defined in Article 3(11) of SFTR and not in Article 2(2) of MiFIR RTS 22. Consequently, the list of exclusions from such definition of transactions in Article 2(5) does not apply to SFTs. However, this interpretation was specifically in respect of the reporting of "pledge-based repo-like transactions" rather than auto-collateralizations and it is not clear that it contradicts ESMA's 2017 response to AFME.

[13] ACR are regarded as GC repo because allocation is by CREST.

[14] This assumes the reporting party is reporting on T+1 after having received a report from CREST identifying the securities allocated.

- Table 2, field 92, *Jurisdiction of the Issuer* = [CREST field = issuer_country_of_incorporaton]
- Table 2, field 93, LEI of the Issuer = [CREST field = issuer_country_of_incorporation]
- Table 2, field 95, *Availability of Collateral for Reuse* = TRUE
- Table 2, field 96, *Collateral Basket Identifier* = [ISIN]
- Table 2, field 98, *Action Type* = NEWT

Prior to Brexit, ESMA confirmed that auto-collateralization offered by the Bank of England to participants in Euroclear UKI (CREST), which are similar in purpose to T2S auto-collateralization, was also be exempt from reporting obligations under SFTR (final Guidelines p.9, para.11 & Final Report p.17, paras.46-47). However, since the end of Brexit transition period, banks subject to EU SFTR have had to report ACRs with CREST settlement banks.

In the case ACR being reported under EU SFTR, because an ACR is an intra-day repo, the collateral update report (Table 2, field 98, Action Type = COLU) for that transaction should report zero collateral. See recommendation 1.5.

Recommendation 1: Auto-collateralization provided by an EU central bank to facilitate settlement in T2S --- including the limb between a payment bank and a client --- is central bank auto-collateralization and should not be reported under SFTR nor under MiFIR.

Recommendation 2: Auto-collateralization provided independently by a payment bank to a client in T2S settling in central bank money is client auto-collateralization and should be reported under SFTR.

Recommendation 3: An Auto Collateralized Repo (ACR) between the Bank of England and a CREST settlement bank is central bank auto-collateralization and should not be reported under UK SFTR nor under UK MiFIR. However, an ACR between a CREST settlement bank and a client should be reported as applicable under UK and EU SFTR. In addition, an ACR with the Bank of England is reportable under EU SFTR where this is applicable.

Recommendation 4: Auto-collateralization provided by an (I)CSD or custodian to a client in a settlement system settling in commercial bank money is client auto-collateralization and should be reported under SFTR.

1.7 Should intra-day securities borrowing be reported?

Yes. SFTs to borrow securities from a CSD to prevent a settlement failure ("fails-curing" transactions), where the transaction is opened and closed on the same day, must be reported individually, whether or not they are automatic (see ESMA's Final Report of March 2017 p.58, para.174). But note that these are securities lending transactions, not repos.

Because specific securities will not be allocated as collateral against intra-day securities borrowing, and will not be transferred from the account of the borrower, and because the pool of securities in the borrower's account at the CSD can also be used for other purposes such as to support settlement in commercial bank money, ESMA's Final Report of March 2017 (pp.58-59, para.175(b)) says reports of this type of securities lending transaction should include:

- *Table 2, field 72, Uncollateralised SL flag* = TRUE

This treatment is inaccurate because there is collateral, which should mean *Table 2, field 20, Method Used to Provide Collateral* = SICA but this treatment has been prescribed by ESMA.

Automatic securities borrowing (widely known as "auto-borrowing") can be collateralized with securities or cash collateral. In ESMA's draft Guidelines of May 2019, it is suggested that auto-borrowing can also be unsecured. Such auto-borrowing is described as being against "intraday credit" or an "overdraft" (pp.16-17, para.38). In reality, it does not appear that unsecured auto-borrowing actually exists.

Auto-borrow should be distinguished from "auto-collateralisation" or "self-collateralisation", which is the automated borrowing of cash through facilities provided by some central banks to securities settlement systems, including T2S, and by some (I)CSDs to their customers, in order to facilitate settlement by relieving temporary shortages of cash for settling purchases of securities and sometimes certain asset servicing requirements. See recommendation 1.6.

Auto-borrow should also be distinguished from the intra-day cash offered by the ICSDs and some custodians, occasionally through repos, which are discretionary loans of cash by these agents also to facilitate settlement by relieving temporary shortages of cash for settling purchases. See recommendation 1.5.

Recommendation: Fails-curing transactions, including auto-borrowing facilities, should be reported as an uncollateralized securities lending transaction.

1.8 How should a repo be reported which is constructed from a sale and a repurchase for different dates as separate contracts?

If there is no legal agreement encompassing both transactions, these constitute an undocumented buy/sell-back and, in line with recommendation 7.1, should be reported as a buy/sell-back with:

- *Table 2, field 4, Type of SFT* = SBSC (sell/buy-back)
- *Table 3, field 9, Master Agreement Type* = OTHR
- *Table 2, field 10, Other Master Agreement Type* = UNDOCUMENTED

This approach should also be applied where the purchase leg is undocumented but the repurchase leg is documented separately, for example, under a SIFMA Master Securities Forward Transaction Agreement (MSFTA). The agreement governing the repurchase leg should not be reported because it does not apply to the whole structure and is therefore not a master repurchase agreement.

Recommendation: A sale and repurchase outside of any legal agreement should be reported as an undocumented buy/sell-back. This includes structures where the repurchase leg is documented but the purchase leg is not.

1.9 How should a repo be reported which is constructed from a sale and a repurchase under an ISDA agreement?

Because this type of transaction has the same economic effect as a conventional repo, it should be reported as a repo. Repos are not characterized by the particular legal agreement under which they are transacted and managed.

If the contract provides that, upon any future payment of a coupon, dividend or other income on the collateral, the collateral-taker should make an equal and immediate payment (a "manufactured payment") to the collateral-giver, the transaction should be reported as a repurchase transaction with:

- *Table 2, field 4, Type of SFT* = REPO (repurchase transaction)
- *Table 2, field 9, Master Agreement Type* = ISDA

If, on the other hand, the contract provides that any future payment of a coupon, dividend or other income on the collateral should be anticipated by reducing the repurchase price, then the transaction should be reported as a buy/sell-back with:

- *Table 2, field 4, Type of SFT* = SBSC (buy/sell-back)
- *Table 2, field 9, Master Agreement Type* = ISDA

Note that synthetic repos (where the repurchase leg is replaced by a derivative) are not reportable under SFTR. To do so could duplicate regulatory reporting, as the cash leg is reported under MiFID/MiFIR and the derivative leg may be reportable under EMIR (see SFTR Recital 7 and Final Report, p.12, para.1).[15] The reporting of synthetic repos is also ruled out by the definition of repos in SFTR, which requires transfers of assets. Also, it is not practicable to report synthetic repos using SFTR reporting templates. See recommendation 1.12.

Recommendation: A sale and repurchase under any master agreement should be reported as a repurchase transaction or buy/sell-back depending on how payments of coupons, dividends or other income on collateral will be managed.

[15] SFTR Recital 8 also distinguishes synthetic from real SFTs by identifying the former as distinct transactions with "equivalent economic effect" and "similar risks" and fulfilling similar functions.

1.10 How should a repo documented under a securities lending agreement be reported?

Some SFTs documented under master securities lending agreements such as the GMSLA actually function like repos. While repos and securities loans perform the same economic functions, their legal construction differs in that cash in a securities loan is only ever collateral but cash in a repo is never intended (legally speaking) to be collateral and only ever provided as collateral on a temporary basis where there is an insufficiency of eligible securities in the case of tri-party repos, because of unforeseen corporate events or where a security that has been given as a variation margin is due to be returned through an opposite variation margin cannot immediately be sourced. A major example of a transaction which is functionally a repo but is documented under a securities lending agreement is the "reverse securities loan", also known as a "reverse stock loan". In a typical reverse securities loan, the cash side of the transaction is kept constant and any transaction exposure is eliminated by varying the quantity and sometimes the composition of the collateral, which is usually a portfolio of more than one security, typically equity.[16] The portfolio of securities in a reverse securities loan can be managed in-house by each of the parties or they can delegate collateral management to a tri-party agent. Reverse securities loans are priced directly in terms of the interest rate on the cash and not as a rebate rate that is fixed on the basis of the expected cash reinvestment return, as would be the case for cash collateral in "securities-driven" securities loans.

It is not possible to report a reverse securities loan under SFTR using the loan and collateral data fields dedicated to securities lending by the RTS and ITS on transaction reporting and the Validation Rules. One obstacle to reporting reverse securities loans as securities loans arises from the fact that the SFTR reporting framework implicitly assumes, in the case of a transaction reported as a securities loan (*Table 2, field 4, Type of SFT* = SLEB), that any cash is identified as collateral while any security is identified as a loaned security. The problem here is that the framework allows only one loaned security to be reported per transaction (*Table 2, field 41, Security Identifier*), whereas reverse securities loans typically involve multiple security issues. It would be incorrect to try to resolve this problem by breaking up reverse securities loans into separate transactions each involving one security, which was one suggestion, as this approach would misrepresent the legal structure of the transaction and would also produce a set of apparently unrelated transactions. Many of these could be terminated at different times, as they could be substituted, obscuring the true term of the exposure agreed by the parties. This approach would also be prohibitively complicated in view of the typical frequency and size of changes to the securities.

Furthermore, securities in a reverse securities loan may be substituted. It is impossible to reflect a change in loaned securities in an SFTR report using the securities lending template.

[16] In addition, the interest rate on the cash in a reverse securities loan is agreed and paid with any securities lending fee implied (like special collateral repo). Reverse securities loans differ from "cash rebate" securities loans in that the latter are of single securities and, in addition to the interest rate on the cash, the parties expressly agree a securities lending fee, although it is paid net of interest. Reverse securities loans differ from "cash pool" securities loans in that the latter eliminate exposure by varying the cash rather than the securities and, in addition to the interest rate on the cash, the parties expressly agree a securities lending fee and pay it separately from the interest (for which reason, cash pool loans are sometimes classed as "fee trades"). Reverse securities loans and cash rebate loans are sometimes classed as "financing trades".

Finally, any loaned security must be identified in the report of the new transaction on T+1, whereas the securities in a reverse securities loan are typically allocated by a tri-party agent and will usually be reported by the agent too late to report on T+1.

In view of the obstacles to reporting a reverse securities loan using the loan and collateral data fields intended for securities lending transactions, it was proposed that reverse securities loans should be reported using the loan and collateral data fields intended for repos. This would allow the securities to be reported as collateral, using repeatable fields. The cash would be reported as:

- *Table 2, field 37, Principal Amount on Value Date*
- *Table 2, field 38, Principal Amount on Maturity Date*

To achieve access to repo data fields, it was proposed not to change the RTS or ITS, which is not a practicable option, but by reporting the reverse securities loan as a repo but under a securities lending master agreement.[17]

- *Table 2, field 4, Type of SFT* = REPO
- *Table 2, field 9, Master Agreement Type* = [securities lending master agreement]

In its final Guidelines and Final Report of January 2020, ESMA expressly accepted the proposal to report reverse securities loans using the repo data fields (Guidelines p.12, para.36 & p.22, para.78). It also accepted that Gentan repo (which economically is a repo but is described legally as a securities loan) should be reported using repo data fields (Guidelines p.11, para.23 & Final Report, p.19, para.58(f)).

However, in the case of CCP-cleared securities loans, where some cleared loans are reverse securities loans, reclassification of these loans as repos would create a problem under the proposed ISO 20022 XML Schema, as collateral updates reports are differentiated by type of SFT.

Note that where a securities lending transaction is reported as a repo, subsequent life-cycle events will reflect the mechanics of a securities loan rather than of a repo.

In the longer-term, it is recommended that transactions that are functionally repos but are documented as securities loans should be re-documented ("re-papered") under the GMRA. This recommendation has also been made by ISLA.

Recommendation 1: When a party to a securities lending transaction wishes to report that transaction using repo data fields, it should ensure that the other party is in agreement.

Recommendation 2: In the longer-term, repos documented as securities loans should be re-papered under the GMRA.

[17] To keep field 2.4 = SLEB, but allow the use of fields 2.37 and 2.38, it would be necessary to amend the definition the ITS on transaction reporting to allow *Table 2, field 40, Type of Asset* to include cash.

1.11 How should a repo with a member of the ESCB or the Bank of England be reported under MiFIR?

According to SFTR Article 2(3), SFTs concluded with members of the European System of Central Banks (ESCB) --- the ECB and the current 28 national central banks in the EU (27 post Brexit transition period) --- are exempt from the SFTR transaction reporting obligation. However, SFTs exempt from transaction reporting under SFTR have been explicitly brought into scope for MiFIR transaction reporting requirements under Article 2(5) of the related RTS 22. Since Brexit, the Bank of England has not been a member of the ESCB and SFTs with the Bank have been reportable since the start of reporting under SFTR. However, the Bank of England will not be reportable under UK SFTR and, under the FCA's Temporary Transitional Powers (TTP), transactions with members of the ESCB will continue to be exempt from reporting under UK SFTR, at least until 31 March 2022, when the TTP expires. [18] See recommendation 1.1 and recommendation 1.16.

ESMA have provided a partial example of a repo report under MiFIR (ESMA Guidelines on Transaction Reporting, Order Record Keeping and Clock Synchronisation under MiFID II (ESMA/2016/1452 of 10 October 2016, corrected on 7 August 2017), p175, Example 87). The example highlighted five fields:

- *field 4 Executing Entity Identification Code* = LEI
- *field 7 Buyer Identification Code* = LEI
- *field 16 Seller Identification Code* = same LEI as 4
- *field 41 Instrument Identification Code* = collateral ISIN
- *field 65 Securities Financing Transaction Indicator* = TRUE

Two MiFIR reports have been added to the portfolio of draft sample reports published by the ICMA's SFTR Task Force (5.1 to 5.2). The key principle underlying the sample reports is that repo is not a financial instrument for the purposes of MiFID II/MiFIR and repo reports under MiFIR should therefore be of the underlying movement of securities and not of the repo itself. ESMA have confirmed that these sample reports would meet the requirements of MiFIR (ESMA e-mail to ICMA of 8 May 2020).

Sample report 5.1

It has been necessary to add some fields to the ESMA example in order to provide a report that would be recognizable as a repo (although the example provided by ESMA was not intended to be a complete report).[19] In particular, sample report 5.1 also includes:

[18] After 31 March 2022, unless there is a change in the Binding Technical Standards, entities reporting under UK SFTR would have to report SFTs with members of the ESCB under both UK MiFIR and UK SFTR.

[19] In addition, ESMA note that "not all aspects of an SFT are relevant for RTS 22, which was designed for the purpose of market surveillance rather than systemic risk monitoring. In particular, an investment firm should ensure that a collective view of the transaction reports reported accurately reflects all changes in its position and in the position of its clients that arise from the reportable transactions concerned at the time such transactions were executed. At the same time, the reporting should not capture the Investment Firm's or the Investment Firm's client's actual position, what is of interest is the change in position resulting from reportable transactions (Section 5.1., page 14 of the Guidelines on Transaction reporting, order record keeping and clock synchronisation under MiFID II: https://www.esma.europa.eu/sites/default/files/library/2016-1452_guidelines_mifid_ii_transaction_reporting.pdf)."

- *field 2 Transaction Reference Number* --- code of up to 52 alphanumeric characters.
- *field 28 Trading Date Time* --- date and time when the repo was executed. The date is the transaction date (T) of the repo.
- *field 33 Price* --- the clean price (ie not including accrued interest) of the purchase leg of a repo expressed for fixed-income securities as a percentage --- in line with market practice, we assume that the price does not include any haircut (but note that this is not fully consistent with field 35 which is inclusive of any haircut).
- *field 35 Net Amount* --- for the purchase leg, this is the amount paid on the purchase date for the collateral security, which is the purchase price of the repo and so reflects any haircut.
- *field 36 Venue* --- MIC code XOFF is required where the securities being provided as collateral are trading or have been admitted to trading on a regulated trading venue (which is likely to be the case).
- *field 62 Short Sell Indicator* --- the fact that the sale of securities in a repo is not a short sale is recognized by filling this field with SELL in the case of securities subject to the Short Selling Regulation, ie EU government securities and equities in the EU and the equivalent in the UK.

The sample reports do not include the repurchase leg of the repos as these are not the result of a new investment decision but are part of the original contract. Moreover, the use of field *65 SFT Indicator* makes it clear that there will be a repurchase in the future.

Sample report 5.2

The ESMA example of a MiFIR report of a repo does not provide for repos against multiple securities. In order to deal with this problem, sample report 5.2 presents a repo against multiple securities as a so-called "complex trade", which would be identified by *field 40 Complex Trade Component ID* (up to 35 alphanumeric characters) but with the sale of each security treated as a component transaction of the complex trade with its own *field 2 Transaction Reference Number*. This approach has been confirmed by ESMA.

Characterizing a transaction as a complex trade is only possible if the transaction is executed at a single price, so *field 33 Price* must be the same for each component. *Field 28 Trade Date Time* will also be the same for each component.

Field 33 Price in this report is implied from *field 35 Net Amount*. This means it is a dirty price adjusted by the haircut on the collateral. This is contrary to the rule in MiFIR to report the clean price. However, a clean price would not be meaningful for a complex trade with several securities, whereas a price implied from the purchase price of the repo reflects the reality of the transaction in that such a price measures the cash actually paid and is common to all its components.

In the sample report, *field 35 Net Amount* has been filled in, as this may be necessary to ensure validation by the ARMs.

Reporting deadline

In the case of tri-party repos and in other circumstances, collateral may be allocated too late to be reported by the MiFIR deadline of T+1. This deadline cannot be changed. However, ESMA have noted that late reports will not be automatically rejected by national competent authorities and

they have the discretion to show forbearance "in the light of their supervisory priorities" where delays in reporting are due to delays in collateral allocation.

Pledge-based repo-like structures

Some EU central banks transact pledge-based structures which they call "repos". The question has arisen as to whether this type f transaction should be reported under MiFIR given that Articles 2(2) and 2(3) of the relevant RTS define a transaction as an acquisition or disposal of financial instruments. Such a definition would seem to apply only to transactions in which, in the case of non-derivatives, legal title is transferred. This interpretation is also supported by Article 2(5)(o) of the same RTS which excludes acquisitions or disposals that are solely a result of a transfer of collateral. However, Article 2(5) refers to SFTs more generally as defined in SFTR and, in line with its decision, announced in its Guidelines of January 2020, to bring pledge-based repo-like transactions into scope, this type of transaction must be reported under MiFIR (see ESMA's Guidelines of January 2002, p.13, para.23, and p.11, para.9).

Central bank auto-collateralization

The question of whether or not central bank auto-collateralization has to be reported under MiFIR in the absence of reporting under SFTR was one of the subjects of an e-mail of 21 August 2017 from ESMA to AFME in response to a request made by AFME in March 2017 for clarification of various issues arising under MiFID II and MiFIR, including AFME's analysis that T2S auto-collateralizations would not be reportable under MiFIR. In the light of ESMA's response, it is recommended that central bank auto-collateralization should not be reported under MiFIR on the grounds that, under Article 2(5)(b) of MiFIR RTS22, auto-collateralization is exempt by virtue of being "a contract arising exclusively for clearing or settlement purposes".[20] See recommendations 1.1 and 1.6.

[20] Note, however, that ESMA's response was not a definitive endorsement of AFME's interpretation but it does carry weight given that it represents the consensus among Competent Authorities and that there has been no subsequent official guidance to the contrary. In an e-mail of 8 May 2020 to ICMA, ESMA states that the concept of "transaction" that should be used for the purpose of reporting is defined in Article 3(11) of SFTR and not in Article 2(2) of MiFIR RTS 22. Consequently, the list of exclusions from such definition of transactions in Article 2(5) does not apply to SFTs. However, this interpretation was specifically in respect of the reporting of "pledge-based repo-like transactions" rather than auto-collateralizations and it is not clear that it contradicts ESMA's 2017 response to AFME.

1.12 Do synthetic repo have to be reported under SFTR?

Synthetic repos are combinations of a normal purchase leg (an exchange of cash and securities) and a derivative, usually a total return swap (TRS), to replace the normal repurchase leg. Such structures are not reportable under SFTR as they do not fall within the definitions of SFTs in Article 3 and Recital 8 distinguishes synthetic from real SFTs by identifying the former as distinct transactions with "equivalent economic effect" and "similar risks" and fulfilling similar functions. Moreover, the cash leg is reported under MiFID/MiFIR and the derivative leg could be reportable under EMIR (see SFTR Recital 7 and Final Report, p.12, para.1). Nor is it practicable to report synthetic repos using SFTR reporting templates.

Recommendation: Synthetic repos should not be reported under SFTR.

1.13 Do "pledged repos" have to be reported?

The SFTR definition of a buy/sell-back is clear that collateralization is by title transfer. Thus, Article 3(8) says a party "buys or sells".

SFTR would also appear to be clear about the legal basis of the collateralization of a repurchase transaction. Article 3(9) starts by saying one of the parties "transfers" collateral at the start of a repurchase transaction but then talks of a commitment to "repurchase" (meaning that the collateral must have been purchased in the first place) and describes one party selling in the case of a repurchase agreement and the other buying in the case of a reverse repurchase agreement. This language is incompatible with any suggestion that the collateral is pledged under a repurchase transaction.

However, in its Guidelines of January 2020, ESMA state, "Where the collateral of repo is taking a different form of transfer, which is still part of the collateral arrangements that are defined under the Collateral Directive, the counterparties should still report it as repo. Repos concluded under rules of other jurisdictions, such as Gentan repos, should be reported accordingly and by providing complete and accurate details in accordance with the TS on reporting."

ESMA are arguing that any transaction collateralized under the Financial Collateral Directive (2002/47/EC) is a repo. The Directive in fact distinguishes between title transfer financial collateral arrangements and security financial collateral arrangements. This is a novel interpretation. It has never previously been argued that loans secured by pledges or other security interests are repos.

ESMA also appear to be arguing that transactions called repos that are not subject to the Financial Collateral Directive should be reported according to the rules of the relevant jurisdiction ("repos concluded under rules of other jurisdictions…should be reported accordingly"). While the example given, that of Gentan repos, is not problematic, as these are really repos disguised as securities loans by being documented under a securities lending agreement (originally to avoid a securities transaction tax), they are actually title transfer transactions. But the ESMA guidance appears to open the door to the inclusion of secured loans that are incorrectly called repos being reported as repo under SFTR, notwithstanding the Level 1 text or the legal reality of repos. One example would be Chinese "pledged repos".

Unless and until ESMA rescind or suitable clarify its guidance, it would seem that any transaction called a repo should be reported as *Table 2, field 4, Type of SFT* = REPO, even if *Table 2, field 20, Method Used to Provide Collateral* ≠ TTCA. Reports of pledge-based "repos" should include:

- *Table 2, field 4, Type of SFT* = REPO
- *Table 2, field 9, Master Agreement Type* = OTHR
- *Table 2, field 10, Other Master Agreement Type* = [name of legal agreement]
- *Table 2, field 20, Method Used to Provide Collateral* = SICA
- *Table 2, field 95, Availability of Collateral for Re-Use* = FALSE

Recommendation: Unless and until ESMA provide contrary guidance, any transaction called a "repo" that is not a buy/sell-back should be reported as a repurchase transaction, even if it is collateralized by a security interest and not by title transfer.

1.14 What is a “working day” or “business day”?

The following deadlines apply to the submission of reports under SFTR to a trade repository:

- SFTR requires parties to report the conclusion, modification or terminations of repos "no later than the working day following the conclusion, modification or termination of the transaction" (Article 4(1)) --- in other words, by the end of T+1.
- The RTS on transaction reporting requires collateral not known in time to report on T+1, to be reported "as soon as they are known and no later than the working day following the value date" (Article 3(3), 3(6) and 3(7)) --- in other words, by the end of S+1.
- ESMA required margin update and re-used update reports (Table 3, field 20, *Action Type = NEWT/MARU* and Table 4, *field 18, Action Type = NEWT/REUU*) on S+1.

There is no definition in SFTR or the relevant technical standards of "working day". Parties should assume this excludes weekends and official national holidays in the country in which they are located. Therefore, a branch in London of a party established in the EU would treat any day as a working day other than weekends and public holidays in England and Wales. And a branch in Amsterdam of a party established in the UK would treat any day as a working day other than weekends and public holidays in the Netherlands (but Target 2 holidays are not relevant as these relate to the operation of the payments system and not whether reporting parties are open for business, although they will usually be the same in eurozone countries).

If parties transact a repo during a weekend or on a public holiday in the country in which one of the parties is located, both parties should both treat that date as a working day. The same recommendation applies to modifications, corrections and terminations of transactions *(Table 2, field 98, Action Type =* MODI/CORR/ETRM), all of which should have been agreed or pre-agreed between the parties.

Collateral update reports *(Table 2, field 98, Action Type =* COLU) should be made whenever there is a change in the composition and/or value of collateral. A COLU report would normally be sent on a working day in the country in which the reporting party is located. However, a change in the composition of collateral could be settled on a working day in the place of settlement that is not a working day in the location of one or both of the parties. Such a possibility should be reflected in the definition of ‘business day’ in the legal agreement between the parties. Accordingly, parties should treat such days as working days for the purpose of reporting under SFTR, even if they are not working days in the location of one or both of the parties.[21]

[21] Under the GMRA (para.2(f)), a “business day” for the purpose of settling purchases and repurchases is defined as a day on which:

(i) “the settlement system is open for business”; or

(ii) where settlement is otherwise than through a settlement system, “a day on which banks are open for business in the place where the relevant Securities are to be delivered and, if different, the place in which the relevant payment is to be made”.

Accordingly, for repos under the GMRA, a “working day” for the purpose of settling purchases and repurchase means:

- Where the reporting party settles directly on a settlement system (therefore not using a settlement agent such as a custodian) --- which means *Table 1, field 17, CSD Participant or Indirect Participant* = [LEI of the reporting party, as in *Table 1, field 3, Reporting Counterparty*] --- a business day in the location of the settlement system. Note that the meaning of “settlement system” is not strictly the same as the national central securities depository (CSD) but this can be used as a proxy, except in the case of euro, where the settlement system is T2S.

It is recommended that a change in the value of collateral should be reported only if that change occurs on a day which the parties have agreed should be a working day for the purpose of calculating and calling a variation margin or triggering an equivalent mechanism (eg Repricing under the GMRA).

Where both parties are subject to EU SFTR and it is a public holiday in the location of one but not both, COLU reports should be sent by both parties unless it is a TARGET2 holiday, that is, New Year's Day, Good Friday, Easter Monday, 1 May, Christmas Day and 26 December.

As regards the end of a working day, ESMA's Questions and Answers on SFTR Data Reporting of 5 November 2020 (see Answer 1) requires that reporting parties "should follow their local time to determine the day on which the transaction is concluded, modified or terminated" and "branches of third country counterparties should follow the local time of the Member State from which they operate" (see p.11, Answer 1(a)).

As regards the fixing of deadlines for reporting to trade repositories, ESMA requires that these be determined according to the local time of each reporting party (see Q&A 1(a)). ESMA also requires the trade repository to take account of non-working days in the location of the reporting party (see ESMA Q&A 7(a)). Therefore, where there are time-zone differences between the countries in which two reporting parties are located, the end of each party's working day and the reporting deadline will be different. One of the parties will have slightly later deadline. However, note that the reporting times must be given in UTC.

Recommendation: If parties transact a repo during a weekend or on a public holiday in the country in which one of the parties is located, both parties should both treat that date as a working day. The same recommendation applies to MODI, CORR and ETRM reports. COLU reports should normally be sent on a working day in the country in which the reporting party is located. Where parties have agreed that a 'business day' is defined in terms of the place of settlement, they should treat such days as working days for the purpose of making COLU reports of changes in the composition of collateral under SFTR even if they are not working days in the location of one or both of the parties. A change in the value of collateral should be reported only if that change occurs on a day which the parties have agreed should be a working day for the purpose of calculating and calling a variation margin or triggering an equivalent mechanism. Where both parties are subject to EU SFTR and it is a public holiday in the location of one but not both, COLU reports should be sent by both parties unless it is a TARGET2 holiday.

- Where the reporting party settles through a settlement agent, a business day in the location of the settlement agent of the buyer and also, if the currency of the collateral is different to the currency of the cash, the location where the payment of the purchase price of the repo is booked (which may not be the location of the payment system for that currency).

For example, assume that, on Friday, a party transacts a repo of a UK security against sterling to be settled at Euroclear UKI (CREST) and Monday is a UK public holiday. Because the settlement system is closed on Monday, it would not be a working day under SFTR, so the deadline for reporting would be the end of Tuesday. It is irrelevant whether the parties are located inside or outside the UK. Note that, if they wish and the trade repository is open, the parties could report on Monday.

To take a slightly different example, assume that, on Friday, a UK party transacts a repo of a euro-denominated security against euros to be settled at Euroclear Bank and Monday is a UK public holiday. In this case, because the settlement agent is open for business on Monday, it would be a working day, so the deadline for reporting under SFTR would be the end of Monday. It is irrelevant that one of the parties is located in the UK.

Note that the GMRA definitions do not refer to public holidays, only to the operating hours of settlement and payment systems, and settlement agents.

1.15 What is the Execution Timestamp for an agency repo (field 2.12)?

An agent may negotiate a single repo with a counterparty on behalf of more than one client. This is sometimes called a "block trade". The agent is obliged to subsequently to allocate a share in the block trade to each of its clients to create several identical repos, one between each client and the counterparty of the block trade. Under the Addendum to the Agency Annex of the GMRA (GMRA 2000, para.4(b) and GMRA 2011, para.4(a)), each repo between a client and the counterparty of the block trade is deemed to have been entered into upon the allocation. Consequently, for agency repos under the GMRA, *Table 2, field 12, Execution Timestamp*, should be the date of allocation, not necessarily the date of agreement with the counterparty to the block trade, notwithstanding that, upon allocation, the execution of the transaction is back-dated under the GMRA to the date on which the block trade was agreed by the agent.

Should an agent delay allocation until after the date of agreement with the counterparty to the block trade, the agent should notify the counterparty to avoid a reporting mismatch.

Note that the clients and the counterparty to the block trade should not report the block trade agreed between the agent and the counterparty, which would then require the parties to terminate that repo and replace it with reports of the allocated repos (which would be similar in concept to the "prior" repo that sometimes has to be reported ahead of CCP-cleared repos). This applies even where the agent delays allocation until after the date of agreement with the counterparty to the block trade.

Recommendation 1: Should an agent delay allocation until after the date of agreement with the counterparty to a block trade, the agent should notify the counterparty.

Recommendation 2: The clients of an agent and the counterparty to a block trade should not report the block trade agreed between the agent and the counterparty.

1.16 Reporting obligations under SFTR and MiFIR after the Brexit Transition Period

After 22:59:59 GMT or 23:59:59 CET on 31 December 2020, when the Brexit Transition Period ends, SFTR and MiFIR will cease to apply to firms incorporated and trading in the UK. These EU regulations will however continue to apply to the branches and subsidiaries in the EU of UK-established firms. On the other hand, firms established in the EU and trading in the UK will come within the scope of UK reporting regulations.

For sake of brevity, the equivalent regulations in the UK to SFTR and MiFIR will be referred to as UK SFTR and UK MiFIR. The existing EU regulations will be referred to as EU SFTR and EU MiFIR.

As of end-August 2020, the relevant UK reporting regulations were laid down in the European Union (Withdrawal) Act 2018 (as amended) (EUWA), which "on-shored" those provisions of SFTR and MiFIR that were in force at the time that the EUWA 2018 was passed into law, except for minor amendments necessary to place the regulations in a UK context. These provisions are:

- Keeping records of SFTs
- Registration of trade repositories
- The information and consent requirements for re-use of collateral (SFTR Article 15).
- Disclosure by investment firms to clients of use of SFTs and total return swaps (SFTR Articles 13 and 14).

As of end-August 2020, the on-shored regulations did not include the reporting requirements of Article 4(1) of SFTR, as reporting was due to start after the EUWA 2018 was passed. However, these requirements and the related Technical Standards have been implemented by the FCA (with some minor amendments to reflect their purely UK context).

The only exception is that UK-established and/or located non-financial entities will not be required to report under either UK SFTR or UK MiFIR from 11 January 2021. This means that UK-established and/or located financial entities will no longer have a prospective obligation to report on behalf of small non-financial entities.

And the substance of ESMA's Guidelines will continue to apply until further notice (see FCA's guide on "Brexit: Our Approach to EU non-legislative materials"). This may include post-Brexit updates.

Note that the FCA has used its Temporary Transitional Powers (TTP) to remove the exemption under EU SFTR from reporting SFTs with members of the ESCB. Therefore, SFTs transacted by UK-established and located parties with members of the ESCB will not have to be reported under UK SFTR until the TTP expire on 31 March 2022. This means that the obligation to report such transactions under UK MiFIR will continue until that date.[22] However, ESMA has not exempted the

[22] The FCA's SFTR webpage includes an update in October on the use of their Temporary Transitional Powers (TTP), which states that, "Please note that the TTP will apply to securities financing transactions where one of the counterparties is a member of the European System of Central Banks (ESCB). For these transactions, the status quo is retained and counterparties will not need to report these transactions under the on-shored SFTR until 31 March 2022. However, where firms are subject to MiFIR transaction

reporting under EU SFTR of SFTs transacted by EU-established and located parties with the Bank of England, which is no longer a member of the ESCB. In other words, SFTs with the Bank of England are reportable under EU SFTR but, at least until 31 March 2022, there will be no change in reporting obligations with respect to SFTs with members of the ESCB or Bank of England under UK SFTR.

Assuming the above changes, after the end of the Brexit Transition Period:

- **UK-incorporated firms and their branches trading SFTs outside the EU** will cease to be subject to EU SFTR and will instead become subject to **UK SFTR** in respect of SFTs transacted with all counterparties except the Bank of England and, until 31 March 2022, members of the ESCB. SFTs with the Bank of England and, until 31 March 2022, members of the ESCB will be subject to **UK MiFIR**.
- **Branches of UK-incorporated firms trading SFTs in the EU** will remain subject to **EU SFTR** in respect of SFTs transacted with all counterparties except members of the ESCB but including the Bank of England (which is no longer a member of the ESCB) and will become subject to **UK SFTR** in respect of SFTs transacted with all counterparties except the Bank of England and, until 31 March 2022, members of the ESCB.[23] These branches will therefore be subject to dual SFTR reporting requirements (reporting to trade repositories in both the UK and the EU). SFTs with members of the ESCB will continue to be subject to **EU MiFIR**. SFTs with the Bank of England and, until 31 March 2022, members of the ESCB will become subject to **UK MiFIR**.
- **EU-incorporated firms and their branches trading SFTs outside the EU** will continue to be subject to **EU SFTR** in respect of SFTs with all counterparties, except members of the ESCB, which has not included the Bank of England since Brexit, and also with respect to margins on CCP-cleared repos and the re-use of collateral. SFTs with members of the ESCB will continue to be subject to **EU MiFIR**.
- **Branches of firms incorporated in the EU who are trading SFTs in the UK** will become subject to **UK SFTR** in respect of SFTs transacted with all counterparties but not the Bank of England and, until 31 March 2022, members of the ESCB, and also with respect to margins on CCP-cleared repos and the re-use of collateral. SFTs with the Bank of England and, until 31 March 2022, members of the ESCB will be subject to **UK MiFIR**. These branches will therefore become subject to dual SFTR reporting requirements (reporting to trade repositories in both the UK and the EU).

Note that branches of entities established outside the UK in the case of UK SFTR or established outside the EU in the case of EU SFTR do not have to report SFTs in which they are involved where those transactions are deemed by a branch to have been booked with the head office.[24]

The SFT and other reporting obligations are summarised in the table below.

reporting obligations they will need to report these securities financing transactions to the FCA under the on-shored MiFIR, where the counterparty is a member of the ESCB."

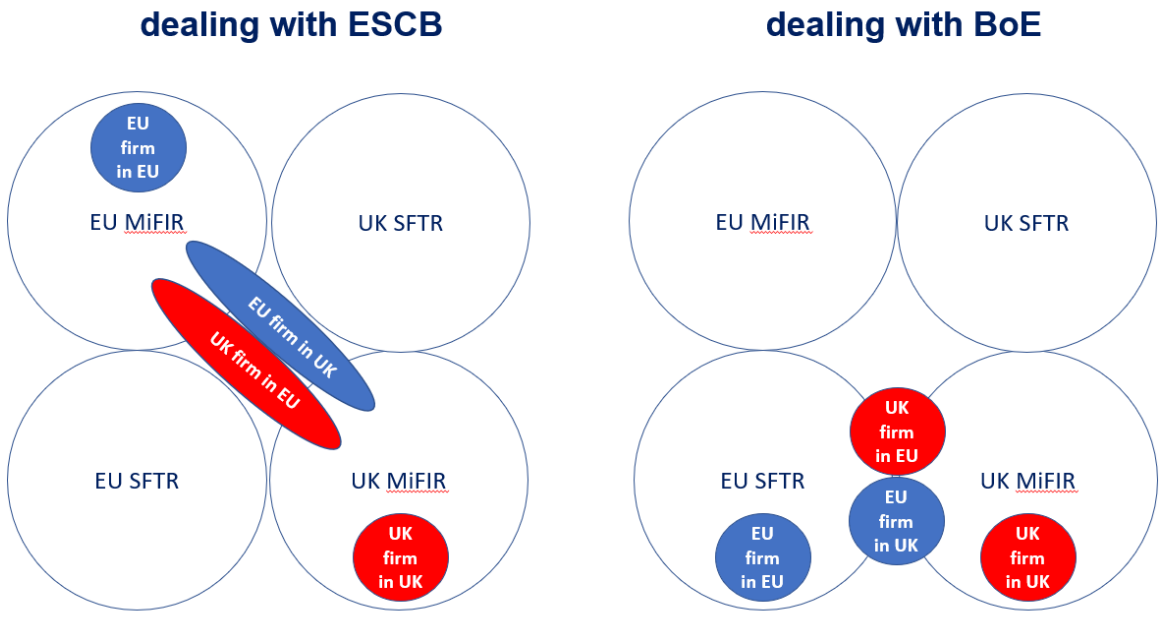
[23] After 31 March 2022, unless there is a change in the Binding Technical Standards, entities reporting under UK SFTR would have to report SFTs with members of the ESCB under both UK MiFIR and UK SFTR.

[24] This guidance was provided by ESMA in its Final Report of January 2020 (p.33, para.144).

country of reporting party		counterparty to branch is		
country of incorporation	country of operation	Bank of England	member of ESCB	other institution
UK	UK	UK entities reports under UK MiFIR	UK entities reports under UK MiFIR until 31 March 2022*	UK entities reports under UK SFTR
UK	branch in EU	EU branch reports under UK MiFIR EU branch reports under EU SFTR	EU branch reports under UK MiFIR until 31 March 2022* EU branch reports under EU MiFIR	EU branch reports under UK SFTR EU branch reports under EU SFTR
UK	branch in rest of the world	branch reports under UK MiFIR	ROW branch reports under UK MiFIR until 31 March 2022*	branch reports under UK SFTR
EU	EU	EU entities reports under EU SFTR	EU entities reports under EU MiFIR	EU entities reports under EU SFTR
EU	branch in UK	UK branch reports under EU SFTR UK branch reports under UK MiFIR	UK branch reports under UK MiFIR UK branch reports under EU MiFIR	UK branch report under EU SFTR UK branch report under UK SFTR
EU	branch in rest of the world	branch reports under EU SFTR	ROW branch reports under EU MiFIR	branch reports under EU SFTR

** After 31 March 2022, unless there is a change in the Binding Technical Standards, entities reporting under UK SFTR would have to report SFTs with members of the ESCB under both UK MiFIR and UK SFTR.*

The regulations applying in the UK and EU with respect to SFTs with central banks is illustrated in the diagram below.



"EU firm in UK" means the UK-located branch of an EU-established entity.
"UK firm in EU" means the EU-located branch of an UK-established entity.

UK SFTR Validation Rules

Parties should also note that, in the UK SFTR Validation Rules issued by the FCA, in addition to changes to legislative references from EU to UK law, the following amendments have been made:

- *Table 1, field 4, Nature of the Reporting Counterparty* --- this field must be reported with the code F to reflect the exemption of non-financial entities from reporting obligations under UK SFTR.
- *Table 1, field 5, Sector of the Reporting Counterparty* --- filling in this field with a code other than the sector code for a financial entity (CDTI. INVF, UCITS, AIFD, INUN, REIN, ORP, CCPS or CSDS) will cause the report to be rejected by the trade repository.

See recommendation 4.7.

1.17 Do repos transacted by individuals have to be reported?

The Guidelines of January 2020 state that, “An SFT is reportable when there are two counterparties to it, or where one of the parties to the SFT is an individual that is not an undertaking and the other is a counterparty as defined in SFTR” (p.10, para.15).

The Final Report of January 2020 notes that, "...under EMIR, the EC issued an FAQ[25] clarifying that the term "undertaking" is addressed to activities instead of entities. Against this background, the term "undertaking" would include entities, regardless of their legal status, performing economic activities in the market. It is also mentioned that “As regards the concept of "economic activity", the Court has considered that any activity consisting in offering goods and services on a market is an economic activity, regardless of the entity's legal status and the way in which it is financed. Non-profit entities are also considered "undertakings" if they offer goods and services in the market. Individuals carrying out an economic activity are also considered to be undertakings, provided they offer goods and services in the market.”

All reporting parties require an LEI in order to identify themselves in *Table 2, field 3, Reporting Counterparty*, and to be identified in *Table 2, field 11, Other Counterparty*. According to the Regulatory Oversight Committee (ROC) of the Global LEI System (GLEIS), “individuals acting in a business capacity are eligible to obtain LEIs, provided they conduct an independent business activity as evidenced by registration in a business registry, with only one LEI issued for the same individual and adequate verifications that data protection, privacy or other obstacles do not prevent the publication of the current LEI data file”. However, “this statement does not require issuance of an LEI to an individual acting in a business capacity…”[26]

Note also that repos governed by consumer credit and mortgage legislation are exempt from reporting (Guidelines, p.9, para.11a, and Final Report, pp.12-15, paras.16-31).

[25] http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/emir-faqs_en.pdf
[26] https://www.leiroc.org/publications/gls/lou_20150930-1.pdf.

2. Back-loading

2.1 What transaction data have to be back-loaded and how should this be done?

SFTR Article 4(1)(b) requires the reporting of all repos executed on or after the date on which the SFTR reporting requirements come into force. The reporting requirements start on different dates for different types of entity. For banks and securities dealers ("credit institutions" and "investment firms" as defined in EU legislation), this Reporting Start Date --- generally called the "go-live" date (G) --- is 12 months after the date that the RTS on transaction reporting comes into force. That RTS came into force on 11 April 2019, so the go-live date for banks and securities dealers should be 11 April 2020. Other types of entity were required to start reporting in three subsequent waves, each separated by three months (but can report earlier if so they wish)[27]. However, because of the Covid-19 pandemic, the go-live date for banks and securities dealers has been delayed, effectively until 13 July 2020, the same go-live date as CCPs and CSDs. Therefore, the complete schedule of go-live dates is currently:

- Monday 13 July 2020 --- reporting go-live for **credit institutions and investment firms**
- Monday 13 July 2020 --- reporting go-live for **CCPs and CSDs**
- Monday 12 October 2020 --- reporting go-live for **insurance firms, UCITSs, AIFs and pension funds**
- Monday 11 January 2021 --- reporting go-live for **non-financial entities**

In addition to the transaction reporting obligations that come into effect on the above go-live dates, SFTR imposes what is generally called a "back-loading" requirement to report historic transactions that were transacted before the above reporting obligations came into force and are still outstanding 180 days after an entity's reporting go-live date.

The purpose of the back-loading requirement is to allow ESMA to start to calculate the outstanding position or stock of SFTs, in part, in order to fulfil their reporting obligations to the FSB.

With respect to back-loading, Article 4(1)(a(i)) requires the reporting, at any time up to but excluding 190 days after the relevant go-live date (from G to G+189), of any repo with a **fixed term** to maturity which:

- was executed before the relevant go-live date; and
- is still outstanding on the relevant go-live date with more than 180 days remaining to maturity.

However, as a result of the Coronavirus pandemic, on 19 March 2020, ESMA announced the delay of the reporting start date for credit institutions and investment firms from 13 April to 13 July. On 26 March, ESMA announced the effective permanent abolition of the back-loading requiring (it remains a requirement of SFTR but will not be enforced). It is assumed that back-loading will not be required by any type of entity.

[27] ESMA's draft Guidelines of May 2019 (p.48, para.188) states that "should the non-banking counterparties find it easier, they could start reporting in advance of the relevant reporting start date indicated in Article 33(2)(a) SFTR".

The delay in the first go-live date means that any repos transacted between the original first go-live date of 11 April 2020 and the delayed go-live date for credit institutions and investment firms of 13 July 2020 should not be reported. Consequently, it will not be possible to report any modifications, terminations, corrections, cancellations or collateral updates specific to an individual repo transacted before the delayed go-live date (a new transaction has to be reported before any changes can be reported). Reports of collateral or variation margins calculated against net exposure of a portfolio of repos under the same master agreement and collateral re-use reports will unavoidably reflect unreported historic transactions but this situation is no different to the one that would have prevailed had the original first go-live date been maintained.

It should be noted that the effective abolition of the back-loading requirement may increase the problem of parties making life-cycle and other reports of repos that have not been back-loaded. If an initial report of a new repo (*Table 2, field 98, Action Type = NEWT*) has not been made to a trade repository because it was transacted before the relevant go-live date, no subsequent reports relating to that transaction will be accepted by the trade repository. Parties can either filter out such reports or opt to back-load historic transactions.

3. UTIs & MICs

3.1 How should UTIs be structured, generated and distributed (field 2.1)?

3.1.1 General

Each pair of repo transaction or position reports made by parties subject to SFTR is required to have a matching UTI (*Table 2, field 1, Unique Transaction Identifier*). It is therefore essential that reporting parties agree on how UTIs should be generated and distributed.

ESMA have provided a UTI Generation Flowchart in their Guidelines of January 2020 (p.37) and Final Report of March 2017 (p.78, fig.1), which sets out the order of different generation options under Article 3(2) of the ITS on transaction reporting to be used where parties cannot reach a bilateral agreement on who should generate the UTI (bilateral agreement is ESMA waterfall scenario 2). In the absence of bilateral agreement, it is expected that parties to a repo which involves a financial market infrastructure (FMI) such as a CCP (scenario 3), a trading venue (scenario 4) or a confirmation-matching service (scenario 5) will make use of one of these FMIs, in that order, given that they are obliged to generate UTIs for their users.

Where there is no agreement between reporting parties, no use of a CCP, trading venue or confirmation-matching service, and one of the parties is the financial counterparty to a small EU non-financial entity, the financial counterparty is obliged to generate the UTI (scenario 6).

In all other cases, the buyer in a repo is obliged to generate the UTI (scenario 8)[28]

Where it is agreed by the parties that one of them will be responsible for generating and sharing the UTI or they have agreed how the allocation of the responsibility between them will depend on the type of repo, it is best practice for the agreement to be recorded in writing so that the parties can demonstrate to the regulator, should the need arise, that they have made appropriate arrangements. It is up to the parties to agree the degree of diligence to be required of the generating party but this should be clearly defined. Where one of the parties is delegating the operational responsibility for reporting to the other, it is recommended that the parties set out their agreement on responsibility for generating the UTI in the Master Regulatory Reporting Agreement (MRRA) published in December 2019 by market associations including ICMA.

Where a party in the UK has a bilateral arrangement with a party in the EU about which of them will generate and share UTIs, there is no reason why that arrangement should not continue after the Brexit Transition Period. Indeed, agreement to do so would be consistent with the CPMI-IOSCO principle of "neutrality" (that UTIs should be globally applicable and the generation of the UTI should not reflect jurisdictional differences).[29] Nevertheless, unless they have a contractual

[28] Note that scenario 7 is for securities lending only.
[29] See the CPMI-IOSCO Technical Guidance on the Harmonization of the Unique Transaction Identifier, February 2017 (p.4).

arrangement and depending on the terms of that contract, parties in the UK (whether they are generators or receivers of UTIs or both) are free to decide to terminate UTI generation and sharing arrangements with parties in the EU. Equally, parties in the EU (whether they are generators or receivers of UTIs or both) are free to decide to terminate UTI generation and sharing arrangements with parties in the UK. Where a party decides to terminate a UTI generation and sharing arrangement with a party in the other SFTR jurisdiction, they should provide the other party with as much notice as possible of their decision.

3.1.2 Principal-to-principal repos not cleared on a CCP, not executed on a trading venue and not confirmed on a third-party matching service

Where a CCP, trading venue or confirmation-matching service is not involved in the generation and sharing of UTIs, the parties should conclude, and record in writing, a **bilateral agreement** as to who will generate UTIs and how they will be shared between them (ESMA waterfall scenario 2). It is recommended that the agreement should be based on one of the following options chosen in the following order of precedence.

First option --- if **both parties are users of the same FMI** --- other than a CCP, trading venue or confirmation-matching service --- and that **FMI provides a UTI-generation service** at a mutually-acceptable cost, the parties should agree in writing to use this service.

Second option --- if **one party but not the other is a user of an FMI that provides a UTI-generation service** --- other than a CCP, trading venue or confirmation-matching service --- and this service is available at a mutually-acceptable cost, the parties should agree that the user of the FMI will employ this service and immediately share the UTI with the other using the means of communication agreed between the parties and specified in the written record of their agreement. Moreover, the UTI should be shared in writing, never by voice, as soon as possible, preferably within one hour after the execution of the transaction and never on the next day (note that the Article 3(3) of the SFTR ITS on transaction reporting requires the provider of a UTI to do so in a "timely manner").

Third option --- if **one or both parties are users of the same FMI** --- other than a CCP, trading venue or confirmation-matching service --- but that **FMI does not provide a UTI-generation service** at a mutually-acceptable cost, the parties should consider using the FMI to immediately share the UTI, if that function is available, as generated in the way agreed in writing between the parties. The UTI should be shared in writing, never by voice, as soon as possible, preferably within one hour after the execution of the transaction and never on the next day.

Fourth option --- if **neither party is a user of an FMI** --- other than a CCP, trading venue or confirmation-matching service --- that provides a UTI-generation service at a mutually-acceptable acceptable cost, they should agree and record in writing which one of them will generate and share UTIs with the other or how responsibility will be allocated between them if they wish to share that responsibility. In this case, when conducting a negotiation orally or by means of electronic messaging, the party which has accepted the obligation to generate and share the UTI with the other should ensure that this is automatically generated and shared with the other party

using the means of communication agreed between the parties and specified in the written record of their arrangement. The UTI should be shared in writing, never by voice, as soon as possible, preferably within one hour after the execution and never on the next day.

In support of this recommendation, all financial market infrastructures should offer a UTI generation and/or distribution service, even if they are not obliged to do so under SFTR.

If two parties have a bilateral agreement which allocates the responsibility to generate and share UTIs to one of the parties, in the event that the responsible party fails to generate and share a UTI, what should the other party do? ESMA has rejected the idea of the other party generating the UTI (see Final Report of March 2017, p.76, para.243).[30] There are two options for the other party:

- it delays its report until it eventually receives the UTI, even if this means it will miss its reporting deadline, in order to ensure that its late report is accurate;
- it sends a report without the UTI, knowing that this report will be rejected by the trade repository, in order to demonstrate that it was ready to report.

The choice of option will reflect the preference of the national competent authority or, in the absence of official guidance, each party's policy on which has a higher priority, timeliness or accuracy. But, whichever choice is made, parties who have agreed to receive UTIs should ensure that their agreement is in writing (even if it is not contractual in nature) and is archived so that it can be provided to the regulator to demonstrate that any fault originated with the counterparty. In addition, such parties should be ready to take affirmative action to acquire the UTI, for example, by prompting the other party should a UTI fail to arrive by a certain deadline.[31] Such action should be recorded in order to demonstrate to the regulator that they took appropriate action to try to resolve the problem.

3.1.3 Structuring the UTI

It is universally accepted that the format of UTIs should conform to the "mint and value" model of the Technical Guidance on the Harmonisation of the Unique Transaction Identifier published in February 2017 by CPMI-IOSCO, where the mint component is the LEI of the generating party and the value component is a number generated by that party to ensure uniqueness among the UTIs generated by that party. The total number of characters should not exceed 52. CPMI-IOSCO does not prescribe any further structuring.

However, it is recommended that parties generating a UTI should apply a uniform structure for the value component (that is, when there is no FMI involved) to help keep the length of bilaterally-generated UTIs short in order to facilitate the manual processing required where no FMI is involved in generating the UTI. Specifically, except in the case of auto-collateralizations by Euroclear UKI (CREST), it is recommended that the UTI should consist of (1) the LEI of the party

[30] However, in principle, it would be possible for parties to agree a deadline by which the responsible party should share UTIs, after which the responsibility to generate and share the UTI switches to the other party.

[31] Note ESMA's statement (Guidelines of January 2020, p.38, para.152). "The counterparties should put in place the relevant technical arrangements, adequate to the volume of data to be exchanged, to ensure the timely communication and ingestion of UTI. In case there is an issue with the generation or communication of the UTI, the counterparties should ensure the timely solution of any issue related to the generation and communication of the UTI and report by the timeline for reporting of the SFT. "

generating the UTI, followed by (2) the date of execution of the transaction (ie transaction date) in the format YYYYMMDD followed by (3) three or more letters selected by the generating party. A three-letter ending allows for 17,576 unique codes per day. The first letter could be used to identify different trading desks, who could then allocate the other letters to their own trades. It is not foreseen that such an initiative would compromise global attempts to harmonize the UTI format.

In the case of **auto-collateralization by Euroclear UKI**, it is recommended that the UTI should be composed of (1) Euroclear UKI's LEI and (2) the unique proprietary Transaction Identifier provided to the parties by Euroclear. Euroclear's LEI is 549300M5MYAD51WHJD55.

In the case of OTC repos matched on Euroclear's **ETCMS** facility ahead of registration with a CCP, Euroclear recommend that the UTI of the "prior repo" which will be reported in *Table 2, field 2, Report Tracking Number*, should be composed independently by the parties from (1) Euroclear Bank's LEI, (2) the proprietary reference provided to the parties by Euroclear Bank and (3) a sufficient number of zeroes to pad the UTI out to 52 characters. Euroclear Bank' LEI is 549300OZ46BRLZ8Y6F65. See recommendation 8.3.

In its final Guidelines and Final Report of January 2020, ESMA has recommended the CPMI-IOSCO principles (p.38, para.154; p.55, para.322). The recommendation above is consistent with this guidance.

Note that the Validation Rules appear to be contradictory about whether UTIs can include special characters. It is recommended that UTIs should not include any special characters. This is in line with IOSCO guidance and ISO standards (ISO/DIS 23897).

3.1.4 Sharing the UTI

Best practice in sharing UTIs and related data in the absence of an FMI is to use a digital medium of communication that avoids having to manually key the data into the recipient's records and facilitates the automation of the required workflows. However, some parties currently rely on manual processes and faxes. It is recommended therefore that UTIs and related data generated by one of the parties in the absence of an FMI should be in a message format that can be used both in automated workflows and manual workflows using faxes. To accommodate the latter, parties should be able to be able to share UTIs and related data using delimited text files (text files with lines of data separated by punctuation marks or tabs).

Efficient sharing of UTIs and related data requires by a common format for messages. It is recommended that parties use the XML schema that has been constructed by a working group co-ordinated by PwC. This is consistent with ISO 15022 and 20022 although it is not an ISO-recognized schema. The schema are available to ICMA members here. It can be read in any simple text editor or web browser and text delimited files can be generated using most XML editors. As an alternative, parties can use a CSV file template, which is available here (ICMA members log-in required). The schema and examples of the XML and CSV messages that it generates are provided in Annex V to these Recommendations. Note that both the XML schema and the CSV template

covers securities lending and so include the minimum fields added by ISLA. In addition, the XML schema incorporates the data field format rules of SFTR but not its validation rules.

3.1.5 Minimum fields to be shared with a UTI

When a party receives a UTI under a bilateral agreement, in order to assist the identification in their own records of the transaction to which the UTI applies, it is recommended that the UTI, when shared, is accompanied by the following minimum set of data fields:

1.3 Reporting Counterparty
1.9 Counterparty Side
1.11 Other Counterparty
2.1 UTI
2.4 Type of SFT
2.12 Execution Timestamp (subject to a difference of up to one hour)
2.13 Value Date
2.14 Maturity Date [it can be assumed that no entry means open]
2.23 Fixed Rate
2.25 Floating Rate
2.37 Principal Amount on Value Date
2.39 Principal Amount Currency
2.49 Security or Commodity Price (needed for buy/sell-backs)
2.78 Identification of Security Used as Collateral (where available)
2.83 Collateral Quantity or Nominal Amount

In addition, for agency transactions, the following fields should be included:

1.14 Triparty Agent
1.18 Agent Lender
2.14 Termination Date[32]
and

- proprietary trade reference number generated by the agent lender to distinguish client funds
- LEI of the fund from which collateral is being re-allocated.

Note that field 1.18 is not mandatory for the *Other Counterparty* to an agency repo but, given its use for assisting the identification of the transaction to which a UTI applies, it is recommended that this field be included in reports by both parties. See recommendation 4.3.

There are additional data fields for securities lending.

The XML schema and examples of an XML file and a CSV file, as well as the shared data fields' specifications, are provided in Annex V.

[32] This field is not included for the purpose of identifying transactions for which UTIs have been generated. It has been requested to facilitate the identification of agency transactions which have been re-allocated on the transaction date.

Recommendation 1: Where a CCP, trading venue or confirmation-matching service is not involved in the generation and sharing of UTIs, the parties should conclude, and record in writing, a bilateral agreement as to who will generate UTIs and how they will be shared. Where other types of infrastructure are involved and can generate and share UTIs at a mutually-acceptable cost, these infrastructures should be used. Otherwise, parties should agree and record in writing which one of them will generate and share UTIs, which automatic and shared using an agreed means of communication other than voice, as soon as possible, preferably within one hour after the execution and never on the next day.

Recommendation 2: Except in the case of auto-collateralizations by Euroclear UKI, bilaterally-generated UTIs should consist of (1) the LEI of the party generating the UTI, followed by (2) the date of execution of the transaction in the format YYYYMMDD followed by (3) three or more letters selected by the generating party. UTIs should consist of alphanumeric characters only.

Recommendation 3: In the case of auto-collateralizations by Euroclear UKI, bilaterally-generated UTIs should consist of (1) the LEI of Euroclear UKI and (2) the Transaction Identifier issued by Euroclear.

Recommendation 4: When a party receives a UTI under a bilateral agreement, in order to assist the identification in their own records of the transaction to which the UTI applies, it is recommended that the UTI is accompanied by a minimum set of data fields.

Recommendation 5: Where a party decides to terminate a UTI generation and sharing arrangement with a party in another SFTR jurisdiction, they should provide the other party with as much notice as possible of their decision.

3.2 If a report is made in error because it is out of scope for one of the parties, what happens to the UTI?

A transaction could be reported under SFTR by both parties and then one of the parties realizes that, on its side, the transaction was out of scope of the SFTR. An example would be where the transaction was executed by a subsidiary in the US and reported by mistake by its EU-based back office. The out-of-scope party would have to send an error report to its trade repository to cancel the report (*Table 2, field 98, Action Type* = EROR). This action means that the combination of the *UTI* of the transaction and the LEIs of the parties (*Table 1, field 3*, *Reporting Counterparty* and *Table 1, field 11, Other Counterparty*) cannot be re-used as this combination is intended to provide a unique identifier for the transaction. However, the transaction may remain in scope for reporting by the other party, who will therefore need a *UTI*. In this case, a new *UTI* will have to be created. Best practice is for both parties to cancel the original transaction and create a new one with a new *UTI*, which the in-scope party will report under the appropriate reporting regime but the out-of-scope party will, of course, not report again under SFTR.

See also recommendation 9.6.

Note that, although the combination of the *UTI* of the cancelled report and the LEIs of the parties is unique to one transaction, the *UTI* could be re-used by one of the parties with a different counterparty (as this would create another unique combination). But ESMA's Validation Rules for *Table 2, field 98, Action Type*, only allow the re-use of a *UTI* from a report that has been cancelled if that *UTI* is re-used for another transaction between two parties reporting to different trade repositories. In other words, if the report of a repo between parties A and B with UTI 1 is cancelled by an EROR report from one of the parties, party A or B could re-use UTI1 with party C but only if C reports to a different trade repository.

Recommendation: Where a repo is mistakenly reported under SFTR, the report should be cancelled as an error and, in order to allow the other party to report that transaction under another reporting regime, the parties should generate and share a new *UTI*.

3.3 What should be the MIC code for OTC repos (field 2.8)?

Parties are required to report the segment *Market Identifier Code* (MIC) of any entity reported in *Table 2, field 8, Trading Venue*. For OTC transactions, Annex I of the SFTR RTS on transaction reporting requires either XOFF or XXXX, depending on whether the SFT has been admitted to trading on a MiFID-regulated *Trading Venue*.[33] But ESMA's draft Guidelines of May 2019 (pp.89-91, paras.246-251) define "admitted to trading on a trading venue" differently from MiFID, as whether or not a transaction has been registered on a *Trading Venue* post trade, stating that:[34]

- for repos executed on a *Trading Venue*, field 2.8 = segment MIC of the *Trading Venue*;
- for repos not executed on a *Trading Venue* but "*brought into the rules of the venue"* post trade, *field 2.8* = XOFF;
- for all other repos, *field 2.8* = XXXX.

Recommendation: All repurchase transactions and buy/sell-backs not executed on a *Trading Venue* nor registered with a *Trading Venue* post trade should be reported with a MIC of XXXX. Repos registered on a *Trading Venue* post trade should be reported with a MIC of XOFF.

[33] Note that Annex I of the SFTR RTS on transaction reporting applies this rule to the collateral securities in the repo and not the repo itself.

[34] Post trade registration of a repo on a *Trading Venue* is usually done in order to facilitate the registration of the transaction with a *CCP* by using the links between the *Trading Venue* and *CCP*.

3.4 Should execution venues outside an SFTR jurisdiction be reported as Trading Venues (field 2.8)?

If a repo is transacted on an electronic trading platform outside the EU by a party subject to EU SFTR or on a platform outside the UK by a party subject to UK SFTR, this platform should be reported in *Table 2, field 8, Trading Venue* (see ESMA Final Report of January 2020, p.64, para.391). This requires the venue to have a (segment) MIC. If it does not, then field 2.8 cannot be filled in. In this case, it is recommended that field 2.8 = XOFF, as this will indicate the involvement of an electronic platform without requiring the identification of the specific platform.

Note also that this rule does not extend to voice-brokers outside the EU or UK, as the case may be, who should be reported in *Table 1, field 15, Broker* (even though voice-brokers in the EU or UK authorized as OTFs and MTFs are reported as *Trading Venues*).

See recommendation 4.3.

Recommendation: If a repo is transacted on a third-country trading venue that does not have a MIC, the repo should be reported as field 2.8 = XOFF.

4. Counterparty data

4.1 Who are the entities who should be reported as being involved in transacting a repo?

4.1.1 Who are the entities involved in reporting?

- **Reporting Counterparty** (*field 1.3*) is one of the contracting parties to the repo transaction or the change in position which is being reported, both of whom are at immediate risk of making a loss on the transaction or position. The *Reporting Counterparty* is the entity who or on behalf of whom the report is being made. In repo, unless special legal arrangements are being employed (about which, see the section below about the *Beneficiary*), the *Reporting Counterparty* will also be the *Beneficiary*, who is the party ultimately at risk of making a loss. If the *Reporting Counterparty* and the *Beneficiary* are the same, *Table 2, field 13, Beneficiary* does not have to be filled in with the LEI of that entity (see recommendation 4.3). In addition, unless the *Reporting Counterparty* is a UCITS, AIF or small non-financial EU entity transacting with an EU financial entity,[35] it will also be the *Entity Responsible for the Report* (*field 1.10*), that is, the entity who is answerable to regulators for ensuring timely, accurate and complete reporting (see the section below).

- **Other Counterparty** (*field 1.11*). The contracting party to the transaction or change in position that is being reported who is not itself the Reporting Counterparty. In other words, it is not the party who or on behalf of whom a report is being made but is a contracting party to the transaction or position being reported.

- **Entity Responsible for the Report** (*field 1.10*) is the entity who is answerable to regulators for ensuring complete, accurate and timely reporting. It cannot contractually dispose of that responsibility by outsourcing the operation of reporting to a third-party service-provider. The *Entity Responsible for the Report* entity will be one of the following:
  (1) a UCITS management company or an Alternative Investment Fund Manager (AIFM) reporting on behalf of the funds under their management (the funds being the *Reporting Counterparties*) --- this delegation of reporting responsibility is mandated by SFTR;[36]
  (2) if a fund management company outsources portfolio management to another legal entity in the form of an asset or investment manager, the fund management company remains the *Entity Responsible for the Report* (see recommendation 4.4 for reporting of the asset or investment manager);[37]

[35] A small financial entity is a legal entity with a balance sheet that does not exceed two of following three levels: (1) balance sheet total of EUR 20 million; (2) net annual turnover of EUR 40 million; and (3) average number of employees of 250. See recommendation 1.2.

[36] Note that AIFs based outside the EU do not have to be reported under SFTR, even if the AIFM is based in the EU. The contrary statement in ESMA's Final Report of January 2020 (p.31, para.132) was contradicted by the European Commission in a letter to the Alternative Investment Managers' Association (AIMA) of 7 February 2020.

[37] Note that ESMA's Validation Rules do not allow an Agent Lender to be reported where the transaction is a buy/sell-back (Table 2, field 4, Type of SFT = SBSC). ESMA plan to remove this restriction but this will have to wait until the RTS and ITS are amended.

(3) an EU financial counterparty who is trading with a small non-financial EU entity --- this delegation of reporting responsibility is mandated by SFTR;
(4) in all other cases, the *Reporting Counterparty*.

- **Report Submitting Entity** (*field 1.2*) is a purely operational role and imposes no regulatory responsibility for the report. This entity could therefore be one of the following:
  (1) the *Entity Responsible for the Report* in the form of a UCITS management company or AIFM reporting on behalf of a UCITS or AIF, respectively;
  (2) the *Entity Responsible for the Report* in the form of an EU financial counterparty reporting on behalf of a small non-financial EU entity;
  (3) the *Reporting Counterparty* --- other than UCITSs, AIFs or small non-financial EU entities --- who will also be the *Entity Responsible for the Report*;
  (4) if a fund management company outsources portfolio management to another legal entity in the form of an asset or investment manager, the asset or investment manager becomes the *Report Submitting Entity,* unless the fund management company expressly retains that operational role or it is outsourced to a third-party service-provider;[26]
  (5) a third-party service-provider to whom the *Entity Responsible for the Report* and/or the *Reporting Counterparty* has outsourced the operational responsibility for reporting.

  Where operational responsibility for reporting to a trade repository has been delegated along a chain of entities, the *Report Submitting Entity* will be the party directly facing the trade repository, as this is the party whose identity has to be authenticated by the trade repository and whose authority to report on behalf of the *Reporting Counterparty* or *Entity Responsible for the Report* has to be checked by the trade repository before accepting reports or returning data.

- **Beneficiary** (*field 1.13*) is the legal entity who is ultimately at risk of making a loss on a transaction or position. In repo, the *Beneficiary* is very likely to also be the *Reporting Counterparty*, in which case, field 1.13 does not have to be filled in with the LEI of that entity. In its final Guidelines of January 2020, ESMA suggests that the two types of entity may differ in the cases of (1) umbrella and sub-fund structures and (2) a "ring-fenced pool" of securities (p.38, paras.155-156). However, many umbrella structures seem to be management constructs that do not legally consolidate sub-funds and do not have their own balance sheets. And the legal basis of ring-fenced pools is often not clear. ESMA seems to have taken a pragmatic approach and recommended that, if sub-funds, ring-fenced pools and similar sub-structures have LEIs of their own, then these LEIs are reported in field 1.13, while the super-structure is reported in field 1.3.[38] [39] Where parties believe they are transacting in their own name on behalf of a *Beneficiary* that is separate from their own legal entity, they should satisfy themselves that the purported *Beneficiary* is in fact sufficiently distinct to justify treatment and that the purported *Beneficiary* should not itself report or be reported as the *Reporting Counterparty*.

[38] Asset pools and other segregated parts of a legal entity may possess rights and obligations that provide them with sufficient independence from the legal entity to be eligible for an LEI (Recommendation 8 of the FSB's 2012 report on "A Global Legal Identifier for Financial Markets").
[39] But note that the legal entity which is the super-structure should be recognized in the report made by the counterparty in *Table 1, field 3, Reporting Counterparty*.

- **Agent Lender** (*field 1.18*) was originally restricted to securities lending (*Table 2, field 4, Type of SFT* = SLEB), but was extended by ESMA to include repurchase transactions (*Table 2, field 4, Type of SFT* = REPO), although not buy/sell-backs (*Table 2, field 4, Type of SFT* = SBSC).[40] In the context of the repo, an *Agent Lender* could be seen as a legal entity who is employed as an agent to transact repurchase transactions (in other words, lending securities in an economic sense) on behalf of one or more client funds to each of whom it owes a fiduciary duty.[41] However, in its final Guidelines of January 2020, ESMA specified that "an entity that facilitates, arranges or otherwise participates but not on a principal basis nor on its own account, in the conclusion of an SFT, either on the loan or the collateral side, and acts on behalf of a client, should not be defined as a counterparty but as either broker, agent lender, tri-party agent or CSD participant, as applicable" (p.9, para.13). This guidance allows fund managers lending cash (as well as securities) on behalf of client funds to be reported as either a *Broker* or an *Agent Lender* (the other types of entity are clearly not appropriate). It means that the name "agent lender" could be applied beyond those entities who have traditionally been called agent lender in the securities lending market to entities acting as agents in repos, for example, investment managers, and could also apply to the lending of cash.[42]

  The problem is that many investment managers acting as agents in repo disagree that they should be reported as an *Agent Lender* in field 1.18 because their own legal analysis does not characterize them as an "agent lender". Notwithstanding the reporting flexibility allowed by ESMA, those parties have argued that they should not be reported as *Agent Lenders* and stated that, where they are *Report Submitting Entities*, they will not be filling in field 1.18. It is recommended therefore that reporting parties look to the agreement governing their agency repos. If their legal analysis is that the agent is not an "agent lender", they should leave field 1.18 blank. Otherwise, in the case of repurchase transactions, they should report the agent as an *Agent Lender*. However, field 1.18 is not reportable in the case of buy/sell-backs, in which case, it should be left blank. Moreover, it does not matter if reporting parties disagree about field 1.18 as it is not a matching field. If the legal agreement governing the role of the agent is not an agency contract (eg GMRA plus Agency Annex), the agent should be reported *in Table 1, field 15, Broker*.

  If an agent is not identified in field 1.18, there is potential operational problem where the *UTI* for an agency repo is generated by a *Report Submitting Entity* that is not the agent or its counterparty. Such a third-party *Report Submitting Entity* may require field 1.18 to be filled in order that it can trace the report to which it should attach a particular *UTI*. The problem faced

[40] Note that ESMA's Validation Rules do not allow an *Agent Lender* to be reported where the transaction is a buy/sell-back (*Table 2, field 4, Type of SFT* = SBSC). ESMA plan to remove this restriction but this will have to wait until the RTS and ITS can be amended.
[41] Note that ESMA's Validation Rules do not allow an *Agent Lender* to be reported where the transaction is a buy/sell-back (*Table 2, field 4, Type of SFT* = SBSC). ESMA plan to remove this restriction but this will have to wait until the RTS and ITS can be amended.
[42] An agent in repo would sign a GMRA and Agency Annex, or similar agreement, with each counterparty collectively on behalf of a group of clients. The single agreement would be taken to represent a bundle of separate but identical agreements between the counterparty and each client. The agent negotiates and transacts repos collectively with a counterparty on behalf of some or all of its clients and then divides up ("allocates") the transaction (sometimes called a "block trade") into separate transactions between the counterparty and each of the individual clients. The counterparty and clients take risk on each other but the agent is not exposed, even though it signed the agreement and executed the block trade. Under SFTR, any fund on behalf of whom an agent acts would be a *Reporting Counterparty* and probably also the *Beneficiary,* although this field will not need to be filled in if the *Reporting Counterparty* and the *Beneficiary* are the same entity. The agent itself has no reporting obligation under SFTR, as it will not be the *Entity Responsible for the Report*. It might be the *Report Submitting Entity*, particularly if it is an investment manager, in this case, it would be reported as such.

by a third-party *Report Submitting Entity* in matching UTIs to ingested reports is discussed in recommendation 3.1.5. Reporting parties need to check with their *Report Submitting Entities* to ascertain whether or not this is case with them. If it is, then the agent may have to be identified in field 1.18 in the report sent to the third-party *Report Submitting Entity*. However, it may be that *Report Submitting Entity* suppresses field 1.18 in the report sent on to the trade repository.

4.1.2 Reporting configurations

In **principal-to-principal** repos, on each side of a transaction or position, the *Entity Responsible for the Repor*t (*field 1.10*) will also be the *Reporting Counterparty* (*field 1. 3*) and probably also the *Beneficiary* (*field 1.13*), although this field will not need to be filled in if the *Reporting Counterparty* and the *Beneficiary* are the same entity. Unless it has outsourced the operation of reporting, the *Entity Responsible for the Report* will also be the *Report Submitting Entity* (*field 1.2*).

In the case of an **agency repo** on behalf of UCITS or AIFs (and other types of fund), the report will be made by the *Report Submitting* Entity (*field 1.2*), who may also be the *Entity Responsible for the Report* (*field 1.10*) or could be the agent or a third-party service-provider to whom the operational task of reporting has been outsourced. If portfolio management of a fund has been delegated to an asset or investment manager which is a separate legal entity from the fund management company which has ultimate control over the funds, the fund management company will be the *Entity Responsible for the Report* but the asset or investment manager will be the *Report Submitting Entity*, unless the fund management company has expressly retained that role or the operational task of reporting has been outsourced to a third party. The *Reporting Counterparty* (*field 1.3*) will be the client fund and, in the case of repo, the fund will probably also be the *Beneficiary* (*field 1.13*), although this field will not need to be filled in if the *Reporting Counterparty* and the *Beneficiary* are the same entity.[43]

In the case of repos between a **small non-financial EU entity** and an EU financial counterparty, the latter will be the *Entity Responsible for the Report* for both entities (*field 1.1*) and, unless it has outsourced the operation of reporting, it will also be the *Report Submitting Entity* (field 1.2) for both entities. The small non-financial EU entity will be the *Reporting Counterparty* and probably the *Beneficiary* (*field 1.13*) on one side: the EU financial counterparty will be the *Reporting Counterparty* and *Beneficiary* on the other side. If the *Reporting Counterparty* and *Beneficiary* on either side are the same entity, field 1.13 does not need to be filled in. If a small EU non-financial entity transacts a repo with any other type of entity, it will be responsible for its own reporting and will become the *Entity Responsible for the Report*.

[43] The management of funds can be divided between a fund management company (which is ultimately responsible to the underlying fund clients) and an asset or investment manager (who conducts portfolio management, signs legal agreements on behalf of underlying fund clients and trades on their behalf).

These reporting sets are summarised in the table below.

party A	party B	in report by party A (assuming no outsourcing of reporting)			
		1.2 Report Submitting Entity	**1.3 Reporting Counterparty**	**1.10 Entity Responsible for Report**	**1.13 Beneficiary**
EU principal	**EU principal**	A	A	A	A
UCITS management company or AIFM	**EU principal**	A [1]	UCITS or AIF	A [1]	UCITS or AIF
small EU non-financial entity	**EU financial entity**	B	A	B	A

[1] Where the management of the funds is divided between a fund management company and an asset/investment manager, the former will be the Entity Responsible for the Report and the latter will be the Report Submitting Entity unless it outsources the operational task of reporting to a third-party service provider.
[2] This entity does not have to be reported as it is also the Reporting Counterparty.

Recommendation 1: If a party is transacting a repo in its own name but on behalf of a business that is part of its legal entity but has its own LEI, the party should report that LEI as the *Beneficiary* of the repo. In all other cases, they should satisfy themselves that the purported *Beneficiary* is in fact sufficiently distinct from the rest of the legal entity to be separately identified.

Recommendation 2: In the case of an agent transacting repos or reverse repos on behalf of a client, whether or not the agent is reported depends on the legal analysis of the agreement governing these transactions. If that analysis is that the agent is not an "agent lender", field 1.18 should be left blank. Otherwise, in the case of repurchase transactions but not buy/sell-backs, whether lending or borrowing cash or securities, the agent should be reported as an *Agent Lender*. If the legal agreement governing the role of the agent is not an agency contract, the agent should be reported *in Table 1, field 15, Broker*.

4.2 Identifying the country of the branch of the *Other Counterparty* (field 1.8)

The location of branches inside and outside the SFTR jurisdiction of reporting parties transact must be reported in *Table 1, field 8, Branch of the Other Counterparty,* using the relevant ISO 3166 country code.[44] Although this is an optional field, it should be reported because it provides information additional to that in other fields by indicating whether the branch is located within an SFTR jurisdiction (whereas, for a third-country legal entity, *Table 1, field 12, Country of the Other Counterparty*, on its own will suggest the *Other Counterparty* is in a third country and does not have a reporting obligation). If a branch is not correctly identified as being subject to SFTR, the trade repository will not pair and match its reports, which means the branch would appear to the regulator to have failed to meet its reporting obligations.

However, it is currently not general market practice for the country in which the branch of a counterparty is located to be recorded in front office systems. Where parties currently do not record the location of counterparty branches in their front office systems, it is recommended that parties establish the location of any branches with whom they trade and add it to the static counterparty data that they compile for the purpose of SFTR reporting. Such information should already be available to a party's legal department, as they need to know the jurisdictions in which the trading operations of counterparties are located in order to properly assess the legal risk.

There is an exception to this recommendation in recommendation 4.6.

Recommendation 1: Field 1.08 should be filled in if the *Other Counterparty* is the branch of a third-country entity.

Recommendation 2: Parties should establish the location of the branches of all counterparties with whom they have a trading relationship and add it to the static data that they maintain on their counterparties.

[44] The draft RTS on transaction reporting specified the branch LEIs but this was over-ruled by the European Commission. However, the intention is to require this type of LEI to be reported when it becomes available.

4.3 Differentiating Brokers and Trading Venues (fields 1.15, 2.8)

Voice-brokers

In the case of voice-brokers, ESMA have indicated that, if such an entity in the repo market is authorized as an Organized Trading Facility (OTF) or a Multilateral Trading Facility (MTF) under MiFID II, it should be reported under SFTR in *Table 2, field 8, Trading Venue*. Many voice-brokers are operating as OTFs and MTFs. However, voice-broking firms which include an OTF or MTF may locate their voice-broking operation outside the OTF or MTF, albeit within the same legal entity (therefore with the same operating MIC but a different segment MIC). Parties should therefore seek confirmation from entities that they believe to be voice-brokers that these entities are authorized as OTFs or MTFs in respect of their voice-broking activities and are therefore to be reported as *Trading Venues*. Entities who see themselves as voice-brokers should pro-actively notify customers of their SFTR status.

If a voice-broking operation is not located within an OTF or MTF and is not reported as a *Trading Venue*, the intuitive assumption may be to report it in *Table 1, field 15, Broker*. Strictly-speaking, this is not correct, given the ESMA definition of *Broker* (see below).[45] However, this is the only SFTR field that is remotely relevant. It is therefore recommended that, where a voice-broker is not operating as an OTF or MTF, it should be reported as a *Broker*. But note that *Broker* is not a matching field, so agreement between the reporting parties on which category to use is not necessary.

A list of repo voice-brokers who are not OTFs or MTFs, and are therefore not Trading Venues, can be found in Annex VII. The list is not complete.

Broker

There is no definition of a *Broker* in SFTR or in the RTS and ITS on transaction reporting but ESMA's Final Report of March 2017 defines a *Broker* as "a party to an SFT that acts as an intermediary in the conclusion of an SFT and on behalf of a customer" (para.92).[46] And the Validation Rules provide a similar definition as an "entity that acts as intermediary for the reporting party without becoming a counterparty to the SFT itself…"

[45] In its final Guidelines of January 2020, ESMA specifies that "an entity that facilitates, arranges or otherwise participates but not on a principal basis nor on its own account, in the conclusion of an SFT, either on the loan or the collateral side, and acts on behalf of a client, should not be defined as a counterparty but as either broker, agent lender, tri-party agent or CSD participant, as applicable" (p.9, para.13). This definition is mistaken in including tri-party agents and CSD participants as being involved in the conclusion of transactions. It also fails to cover the case of a non-OTF/MTF voice-broker since such an entity does not meet the general requirement that it "acts on behalf of a client".

[46] Note that, because a *Broker* is defined as acting "on behalf of a customer", it has an implied fiduciary duty to only one of the contracting parties and so cannot be an impartial arranger like a voice-broker.

In addition, ESMA's Final Report identifies four types of broker:

- **broker/agent** (para.137);
- entity **acting as broker but on its own account** (para.140);
- **matched-principal brokers** including inter-dealer brokers (IDBs) (para.142); and
- **prime brokers** (para.92)[47].

However, the Final Report specifically excludes the last three of these four types of broker from field 1.15, that is, brokers acting on their own account, matched-principal brokers and prime brokers. The remaining ESMA concept of a broker/agent and the excluded concept of a broker acting on its own account are alternative manifestations of the classic US-style "broker-dealer", which is a dual capacity firm that can sometimes act as a "broker" (trading as an agent for other parties) and at other times act as a "dealer" (trading for own account).

In the case of an agent transacting repurchase transactions (including reverse repurchase transactions) on behalf of a client, a choice has to be made between reporting the agent as a *Broker* or an *Agent Lender*. ESMA does not expect to see the same entity being reported as both (Final Report, p.55). In recommendation 4.1, it is recommended that reporting parties look to the agreement governing their agency repos. If their legal analysis is that the agent is not an "agent lender", they should leave field 1.18 blank. Otherwise, in the case of repurchase transactions, they should report the agent as an *Agent Lender*. However, field 1.18 is not reportable in the case of buy/sell-backs, in which case, it should be left blank. It does not matter if reporting parties disagree about field 1.18 as it is not a matching field. If the legal agreement governing the role of the agent is not an agency contract, the agent should be reported *in Table 1, field 15, Broker*.

Trading Venues and MICs

A trading venue should be reported in *Table 2, field 8, Trading Venue,* using a segment (rather than an operating) *Market Identifier Code* (MIC). However, possession of a MIC is not of itself an indicator that an entity is a *Trading Venue*. MICs are not restricted to execution venues. They are issued under ISO 10383 to identify exchanges, trading platforms and regulated or non-regulated markets acting as sources of prices and related information. For example, third-party post-trade service-providers such as online information services can have MICs. This includes Bloomberg services other than its MTF. Transactions negotiated with the aid of Bloomberg screens such as RRRA are not being executed on Bloomberg but are just being confirmed, so Bloomberg's provision of such screens does not make it a Trading Venue.

Note that should a repo be transacted on an electronic trading platform outside the EU, this venue should be reported as a Trading Venue in field 2.8 (see ESMA Final Report of January 2020, p.64, para.391). However, this requires the venue to have a (segment) MIC. If it does not, then field 2.8 cannot be filled in. In this case, it is recommended that field 2.8 = XOFF, as this will indicate the involvement of an electronic platform without requiring the identification of the specific platform. See recommendation 3.4.

[47] A prime broker is defined in Directive 2011/61/EU on AIFM as "a credit institution, a regulated investment firm or another entity subject to prudential regulation and ongoing supervision, offering services to professional investors primarily to finance or execute transactions in financial instruments as counterparty and which may also provide other services such as clearing and settlement of trades, custodial services, securities lending, customized technology and operational support facilities…"

A list of MICs for repo Trading Venues can be found in Annex VI. The list is not complete.

Note also that Euroclear's ETCMS facility is not a *Trading Venue,* as it is only matching instructions prior to registration with LCH of a repo which has already been agreed between two parties.

Recommendation 1: A voice-broker in the repo market may be authorized under MiFID as an OTF or MTF, in which case, it should be identified under SFTR as a *Trading Venue*.

Recommendation 2: Where a voice-broker is not operating as an OTF or MTF, it should be reported as a *Broker*.

Recommendation 3: Reporting parties should ensure that, in the case of entities with MICs, that they can differentiate *Trading Venues* from other types of entity which have MICs.

4.4 Who should be reported as the CSD Participant or Indirect Participant in a settlement chain (field 1.17)?

Table 1, field 17, CSD Participant or Indirect Participant, is defined, in paragraph 347 of ESMA's Final Report of March 2017, as "the first entity in the custody chain (ie the custodian of the counterparty)". ESMA explains that this means the custodian in immediate contact with the counterparty ("if an SFT counterparty has an account with a global custodian that holds securities at a CSD via a local agent, the SFT counterparty would report the global custodian as indirect CSD participant in the field CSD participant or indirect participant").

Therefore, a *Reporting Counterparty* should report:

- its **own LEI**, if it is settling directly at any CSD (in other words, it is a CSD participant);
- its **own LEI**, if it is settling securities at any of the two ICSDs, even where the ICSD is not the issuer CSD (in other words, it is an ICSD participant);
- **LEI of its custodian bank**, irrespective of whether the custodian is using any sub-custodian or not.

Note that the CSD or ICSD being used for settlement never has to be reported.[48]

Although field 1.17 is described as optional in ESMA's Validation Rules, the final Guidelines and Final Report of January 2020 make it clear that it should always be filled (p.33, para.122 and p.39, para.187). This field is optional because it is not relevant to margin lending or commodity SFTs.

Recommendation: If a *Reporting Counterparty* is settling directly at a CSD or ICSD, it should report its own LEI in field 1.17. Otherwise, it should report the LEI of the settlement agent with whom it has direct contact.

[48] In its final Guidelines of January 2020, ESMA states that "in the case of fails-curing SFT, the CSD should report as its counterparties the relevant CSD participants and not the clients of those [CSD participants]. This is applicable also when the SFT is executed against an omnibus account". This is a concession to (I)CSDs to accommodate the fact that, in the auto-borrowing facilities provided by these market infrastructures, they often borrow via agent lenders operating omnibus accounts and do not know the identities of underlying client funds. In this case, the (I)CSD --- which, despite being called an agent lender, effectively acts as a principal and is therefore subject to SFTR reporting obligations --- is required to report the agent as its *Other Counterparty* (field 1.11).

4.5 What is meant by the Additional Sector Classification (field 1.6)?

Table 2, field 6, Additional Sector Classification is intended to provide further information on the nature of UCITS, Alternative Investment Funds (AIF) and non-financial entities undertaking financial, insurance or real estate activities. Non-financial entities undertaking "financial or insurance activities" would be classified in *Table 2, field 5, Sector of the Reporting Counterparty* under category K of the NACE national accounts taxonomy adopted for use in SFTR. Those undertaking "real estate activities" would be classified under category L.

In ESMA's Validation Rules, the column on "Details to be reported" repeats the RTS on transaction reporting, which states, "Where the reporting counterparty is an Undertaking for Collective Investment in Transferable Securities (UCITS) or Alternative Investment Fund (AIF), a code that determines whether it is an Exchange-Traded Fund (ETF) or a Money Market Fund (MMF). Where the reporting counterparty is an Alternative Investment Fund (AIF) or a non-financial counterparty undertaking financial and insurance activities or real estate activities, a code that determines whether it is a Real Estate Investment Trust (REIT)." In other words, the *Additional Sector Classification* of:

- UCITS can be either an ETF (ETFT) or a money market fund (MMFT)
- AIFs can be ETFT, MMFT or REIT
- non-financial entities within category K or L can be REIT or OTHR (other).

However, in the column on Conditional Validations in the Validation Rules, it states, "If field 5 is populated with 'UCIT', 'AIFD', 'K' or 'L', this field shall be populated and shall contain only one of the following values: 'ETFT', 'MMFT', REIT' or ' OTHR'. 4 alphabetical characters. Otherwise, it shall be left bank". In other words, the *Additional Sector Classification* of all four types of entity --- UCITS, AIFs and non-financial entities within categories K and L --- can be ETFT, MMFT, REIT or OTHR.

It is recommended that reporting parties do not follow the RTS specification, as the majority of UCITS and AIFs in Europe do not appear to be either money market funds or ETFs, and very few AIFs in Europe appear to be REITs, so need to be reported as OTHR. Note that UCITS cannot be REITs. This means:

- UCITS can be either an ETF (ETFT), a money market fund (MMFT) or OTHR (other).
- AIFs can be ETFT, MMFT or OTHR (other).
- non-financial entities within categories K or L can be REIT or OTHR (other).

Recommendation: In field 1.6, UCITS should be reported as either an ETF, a money market fund or OTHR; AIFs as an ETF, a money market fund or OTHR; and non-financial entities within category K or L as either a REIT or OTHR.

4.6 Identifying branches in COLU reports of net collateral (fields 1.7, 1.8)?

If a collateral update report (*Table 2, field 98, Action Type* = COLU) is made for a pool of collateral allocated against the net exposure of a portfolio of repos that have been negotiated by both the head office and one or more of the branches in other countries of the same legal entity, then it is not possible to fill in *Table 1, field 7, Branch of the Reporting Counterparty* and/or *Table 1, field 7, Branch of the Reporting Counterparty.* However, fields 1.7 and 1.8 are optional fields.

Note that this recommendation is an exception to recommendation 4.2.

5. Loan data fields

5.1 Are open repos fixed or floating-rate?

The repo rate on an open repo is fixed at the start of the transaction and is typically changed only upon the request of one of the parties and the agreement of the other. An agreed change in the repo rate of an open repo is called a "re-rate" (but the term can also be applied to a change in the repo rate of a fixed-term repo). Re-rating is therefore likely to be irregular. In contrast, the available fields for reporting floating repo rates (*Table 2, fields 2.26 to 2.31)* only envisage regular changes in rates. It is not possible to report irregular re-rates. Consequently, unless an open repo rate is linked to an interest rate index --- which means that the repo rate would be regularly and automatically updated --- open repos should be reported as fixed-rate repo and not floating-rate repo, and re-rates of open repos should be reported as modifications (*Table 2, field 98, Action Type* = MODI) of the fixed repo rate (*Table 2, field 23, Fixed Rate).*

Note also that open repos are single transactions that run continuously until they are terminated and are not daily roll-overs into new transactions, so do not need new *UTIs* each new working day.[49] If, however, for some reason, parties decided to contractually terminate an open repo and then transact a new open repo on the same or similar terms (for example, to reduce the size of the balance sheet on a reporting date), the new repo would be a new transaction and would require a new *UTI*.

Recommendation: Open repos should be reported as fixed-rate repos unless they are linked to interest rate indexes.

[49] ESMA's final Guidelines of January 2020 (p.38, para.150) imply that an open repo is periodically renewed, that is, rolled over. This is incorrect.

5.2 How should floating repo rate periods be reported (fields 2.26-2.31)?

Table 2, fields 2.26 to 2.31, are used to report floating repo rates. Together with *Table 2, field 25, Floating Rate*, these fields constitute the "rate schedule" referred to in *Table 2, field 35, Adjusted Rate*. Alternate fields 2.26, 2.28 and 2.30 (time periods) report the units of time in which the tenor of the rate and the payment and reset frequencies are expressed --- which can be days, weeks, months or years.[50] The other alternate fields 2.27, 2.29 and 2.31 ("multipliers") report the number of time units in the tenor of the rate and in the payment and reset frequencies. For example, a repo rate linked to 1-week LIBOR which is re-fixed daily and which pays interest annually could be reported as:

- *Table 2, field 2.26, Floating Rate Reference Period - Time Period* = WEEK
- *Table 2, field 2.27, Floating Rate Reference Period – Multiplier* = 1
- *Table 2, field 2.28, Floating Rate Payment Frequency - Time Period* = YEAR
- *Table 2, field 2.29, Floating Rate Payment Frequency - Multiplier* = 1
- *Table 2, field 2.30, Floating Rate Reset Frequency – Time Period* = DAYS
- *Table 2, field 2.31, Floating Rate Reset Frequency – Multiplier* = 1

However, the same interest rate could be reporting as:

- *Table 2, field 2.26, Floating Rate Reference Period - Time Period* = DAYS
- *Table 2, field 2.27, Floating Rate Reference Period – Multiplier* = 7
- *Table 2, field 2.28, Floating Rate Payment Frequency - Time Period* = DAYS
- *Table 2, field 2.29, Floating Rate Payment Frequency - Multiplier* = 365
- *Table 2, field 2.30, Floating Rate Reset Frequency – Time Period* = DAYS
- *Table 2, field 2.31, Floating Rate Reset Frequency – Multiplier* = 1

Given the alternative ways of expressing the same time period, there is a risk that two parties reporting the same floating-rate repo may use different time periods for the same interval. As these are matching fields, this would result in their reports being rejected by the trade repository.

In order to avoid mismatches when reporting units of time (fields 2.26, 2.28 and 2.30), it is recommended that parties always report in terms of the longest applicable time period that does not result in a fractional period or frequency. Thus, weeks would always be used in preference to days, months would be used in preference to weeks or days, and years would be used in preference to months, weeks or days. But, for example, a one-month interest rate index should be reported as one month, not the number of days in the next calendar month nor the number of weeks (which would anyway only be possible to report within the SFTR template if there were an exact number of weeks in the month). To be clear, public holidays should be ignored.

Note that, where repo rates on a fixed-term transaction are linked to an overnight or tom/next index, payment is conventionally on the repurchase date, in which case, fields 2.28-2.29 should be the same as the original term of the repo (*Table 2, field 14, Maturity Date*).

[50] The tenor of an interest rate is the time period to which the interest rate applies, in other words, the period over which interest accrues.

In the case of open repos which pay a floating repo rate, the maturity will be unknown. Some parties will agree to pay off ("clean up") accrued repo interest regularly, often at or just after end-month, in which case, they should report this agreed payment frequency (ignoring any "stub" period until the first payment is due).

Where parties do not have such an arrangement in place in respect of their open floating-rate repos and simply wait to collect repo interest as part of the eventual repurchase price at termination or make ad hoc decisions to clean up accrued interest, they will not be able to fill in these fields. However, these fields are mandatory for floating-rate repos. Parties who have not agreed a payment frequency for open floating-rate repos and who do not wish to fix a contractual payment frequency will need to agree to report the same assumed payment frequency in fields 2.28-2.29. In other words, they should make a non-contractual agreement solely for reporting purposes. It is recommended that this assumed payment frequency should be monthly. If it turns out that the actual payment of interest as part of the eventual repurchase price at termination is more or less than one month, fields 2.28-2.29 should not be retrospectively corrected. Note that parties will have 33 months after their reporting start date to put arrangements in place before fields 2.28-2.29 have to match at trade repositories.

See recommendation 9.7 on re-rating floating-rate repos.

Note that *Table 2, field 24, Day Count Convention*, applies to floating-rate repos.

Recommendation 1: Time periods for reporting floating repo rates should be measured in weeks rather than days, months rather than weeks or days, and years rather than months, weeks or days, except if this would result in a fractional frequency, in which case, the immediately shorter time period should be used.

Recommendation 2: Parties trading open floating-rate repos who do not agree a regular clean-up frequency for accrued repo interest should non-contractually agree to report the same assumed payment frequency. This should be monthly.

5.3 What is the Minimum Notice Period (field 2.16)?

Table 2, field 16, Minimum Notice Period is the shortest notice period allowed in order to terminate or extend the term of a repo in terms of the number of business days between the effective service of a notice by one party on another and the settlement date of the termination or the new maturity date.

The use of business days is consistent with market practice for open repos and fixed-term repos with termination options for which the notice period is a standard settlement period (notice periods of T+0, T+1 or T+2) and for the agreed early termination of fixed-term repos on standard terms, but diverges from market practice for the termination of evergreen repos with extended notice periods and the extension of extendible repos, where the notice period is expressed in terms of calendar days. Accordingly, it is recommended that, in the case of evergreen repos with extended notice periods and in the case of extendible repos, the *Minimum Notice Period* should be reported in the initial loan report (*Table 2, field 98, Action Type* = NEWT) as the number of working days from the earliest option date to:

- termination settlement date that would be fixed by immediate exercise of the termination option in the case of evergreen repo with an extended notice period (which will in fact be the transaction date); or
- the new maturity date in the case of extendible repos;

Should parties have operational difficulties in determining and/or agreeing the number of working days in a period, it is recommended that they agree to assume that there are 21 working days and 30 calendar days in every calendar month. For periods that are not integral calendar months, they should pro-rata the ratio of 21 working days to an assumed 30-day calendar month and use the rounding convention in recommendation 5.7. For example, a period of 35 calendar days would be reported as 25 working days (35 x 21/30). All public holidays should be ignored.

The number of days reported in the initial report of a transaction should be repeated in any subsequent reports over the remaining life of the transaction (unless the *Minimum Notice Period* is renegotiated). In other words, the Minimum Notice Period for evergreen repos with extended notice periods and extendible repos should not be updated after the initial report unless it is renegotiated. This recommendation is consistent with ESMA's guidance on the same problem for *Table 2, field 17, Earliest Call-Back Date* --- see recommendation 5.4.

ESMA's Validation Rules make field 2.16 conditional on *Table 2, field 21, Open Term* = TRUE or *Table 2, field 22, Termination Optionality* = EGRN or ETSB. [51] Accordingly, the *Minimum Notice Period* is not required for fixed-term repos, even if they have termination options for which the termination notice period is the standard settlement period. While *Minimum Notice Period* should be applicable to such fixed-term repos, in view of the Validation Rules, it is recommended that this type of repo should be reported when transacted (*Table 2, field 98, Action Type* = NEWT) as having a fixed term to maturity (so *Table 2, field 21, Open Term* = FALSE and *Table 2, field 14, Maturity Date* = [maturity date]) but without reporting the option. If the option is subsequently exercised,

[51] However, there is a mistake in the Consolidated Validation Rules on extendibles, in as much as the rules also say that *Minimum Notice Period* only applies to terminations.

this event should be reported as an early termination (*Table 2, field 98 = ETRM or MODI*, depending on whether the termination is on the same day or on a future date --- see recommendation 9.4).

ESMA's Validation Rules currently state that field 2.16 has to be greater than zero. This rules out same-day notice periods. In this case, unless and until ESMA amend the Validation Rules, it is recommended that same-day notice periods are reporting as one day.

If parties have not expressly agreed a minimum notice period for a transaction, they should check the provisions of their legal agreement. For example, the GMRA has a default provision for the termination notice period of open repos of "not less than the minimum period as is customarily required for settlement…" (GMRA, para.3(e)) and the ICMA's *A Guide to Best Practice in the European Repo Market* records customary notice periods for major classes of securities (see para.2.20 and Table 2 in the December 2018 edition). For the purpose of reporting under SFTR, the minimum notice period should be assumed. Where a customary notice period is uncertain, parties should agree to report one working day.

The recommendations for reporting the *Minimum Notice Period* are summarized in the table below.

fixed-term repo without termination option	fixed-term repo with termination option with standard termination notice period	open repo	EGRN (fixed-term)	EGRN (open)	EGRN (rolling maturity date)	ETSB
n/a	do not report	NEWT report should give business days from final notice date to settlement date (for X-Y-Z ETSB, MNP = Z)* no subsequent MODI reports for this field (unless MNP is renegotiated)				

* *For example, consider a 3-1-6 extendible repo (where X = 3, Y = 1 and Z = 6). This is a repo with an initial term to maturity of 3 months and an option on a date 1 month prior to the initial maturity date (that is, at the end of month 2) to extend the maturity by 6 months to month 8. Table 2, field 16, Minimum Notice Period, for this repo would be Z = 6 months.*

Recommendation 1: The *Minimum Notice Period* for an evergreen repo with an extended notice period should be reported in the initial loan report as the number of working days between the first date on which a termination notice could be served if that decision was taken immediately after transacting the repo and the date of settlement of termination. The number of days reported in the initial loan report should not be updated in any subsequent reports unless the Minimum Notice Period is renegotiated by the parties.

Recommendation 2: Should party have operational difficulties in determining and/or agreeing the number of working days in a period, they should agree to assume that there are 21 working days and 30 calendar days in every calendar month. For periods that are not integral calendar months, they should pro-rata the ratio of 21 working days to an assumed 30-day calendar month and use the rounding convention in recommendation 5.7.

Recommendation 3: The *Minimum Notice Period* for an extendible repo should be reported as the number of working days' notice between the first date on which the notice of extension could be served and the optional extended maturity date. The number of days reported in the initial loan report should not be updated in any subsequent reports unless the *Minimum Notice Period* is renegotiated by the parties.

Recommendation 4: The *Minimum Notice Period* for a fixed-term repo with a termination option with a standard notice period should not be reported.

Recommendation 5: Where the settlement of the termination of a repo can be on the same day as the notice to terminate is given, the *Minimum Notice Period* should nevertheless be reported as one day in order to comply with the Validation Rules.

Recommendation 6: The *Minimum Notice Period* for an open repo for which no period has been expressly agreed should be the minimum customary period. Where this is uncertain, the parties should assume one working day.

5.4 What is the Earliest Call-Back Date (field 2.17)?

Table 2, field 17, Earliest Call-Back Date, is the first date on which an option to terminate or amortize a repo can be triggered (the RTS on transaction reporting says the "earliest date that the cash lender has the right to call back a portion of the funds or to terminate"). In other words, it is the earliest notification date and not the date on which a call for termination would be settled. It can be the same or earlier than *Table 2, field 14, Maturity Date*.

ESMA's Consolidated Validation Rules of May 2019 made field 2.17 in new reports conditional on *Table 2, field 21, Open Term* = TRUE or *Table 2, field 22, Termination Optionality* = EGRN or ETSB. Accordingly, *Earliest Call-Back Date* was not reportable for fixed-term repos. But this rule was incorrect for fixed-term repos with standard termination options (notice periods of T+0, T+1 or T+2). However, in its Validation Rules of January 2020, ESMA removed the rule linking field 2.17 to fields 2.21 and 2.22. Accordingly, the *Earliest Call-Back Date* can now be reported for fixed-term repos with standard termination options.

Another historic problem with the *Earliest Call-Back Date* was that, as open and evergreen repos age, the *Earliest Call-Back Date* would also change (becoming the latest working day). This meant there was an implied obligation to update the *Earliest Call-Back Date* for open repos and evergreen repos with extended notice periods on every working day during their life to reflect the fact that the option to terminate moved forward by one working day to the current working day.

However, there is little information of value to the regulator. Accordingly, it was recommended that the *Earliest Call-Back Date* for open repos and evergreen repos with extended notice periods (but not evergreen repos for which the maturity date moves forward by every day by one day until terminated) should be reported in the initial report (*Table 2, field 98, Action Type* = NEWT) but that this field should not be subsequently updated using modification reports over the remaining life of the transaction, despite the fact that this field will change each working day.

This recommendation was consistent with the revised Validation Rules of October 2019, under which modifications of field 2.17 were made optional. And it was confirmed by ESMA in its final Guidelines and Final Report of January 2020, which require that "Unless the counterparties have agreed to a new earliest call-back date, they should report the original earliest call-back date applicable to the SFT" (p.89, para.241; p.66, para.411).

In the case of extendibles, the *Earliest Call-Back Date* should be the first date on which the extension option can be exercised (thus, for example, in a 3-2-3 extendible, this would be two months before the original maturity, which is one month after the transaction date).

If there are two or more options to terminate a repo, parties should report the earliest option exercise date. This should not be updated in reports after this date has passed.

The recommendations for reporting the *Earliest Call-Back Date* are summarized in the table below.

fixed-term repo without termination option	fixed-term repo with termination option with standard termination notice period	open repo	EGRN (fixed-term)	EGRN (open)	EGRN (rolling maturity date)	ETSB
n/a	termination option exercise date	NEWT report should give business days from final notice date to settlement date (for X-Y-Z ETSB, ECBD = start date of Z) no subsequent MODI reports for this field (unless ECBD is renegotiated)				

Note that the Validation Rules in respect of field 2.17 are semantically incorrect for extendible repos, which are fixed-term transactions for which the maturity date can be extended (but not called back) subject to notice. It is recommended to ignore this mistake in drafting and report the first date on which an extension option can be exercised as the *Earliest Call-Back Date*.

Recommendation 1: The *Earliest Call-Back Date* for open and evergreen repos should be reported in the initial transaction report as the earliest date on which a termination notice could be served if that decision was taken immediately after transacting the repo. This date should not be updated in any subsequent reports unless the *Earliest Call-Back Date* is renegotiated by the parties.

Recommendation 2: The *Earliest Call-Back Date* for extendible repos should be the earliest date on which an extension notice could be served if that decision was taken immediately after transacting the repo. This date should not be updated in any subsequent reports unless the *Earliest Call-Back Date* is renegotiated by the parties.[52]

Recommendation 3: If there are two or more options to terminate a repo, parties should report the earliest option exercise date and should not update field 2.17 when this date has passed.

[52] For example, consider a 3-1-6 extendible repo (where X = 3, Y = 1 and Z = 6). This is a repo with an initial term to maturity of 3 months and an option on a date 1 month prior to the initial maturity date (that is, at the end of month 2) to extend the maturity by 6 months to month 8. *Table 2, field 17, Earliest Call-Back Date*, for this repo would be X – Y = 3 – 1 = 2 months from the purchase date.

5.5 How should multi-currency repo be reported (fields 2.37, 2.38?

A repo can occasionally involve the payment of more than one currency:

- The purchase price may be paid in several currencies (eg if it was denominated in a unit such as the SDR (Special Drawing Right)).
- Where the buyer agrees to allow the seller to repay in a currency different from that of the purchase price.

In the first case, where the parties agree to a multi-currency purchase and/or repurchase price (rather than transacting several repos, each of a different currency), ESMA requires the repo to be reported as several transactions, one for each currency and each with its own UTI (p.10, para.21), and with the collateral reported on a net exposure basis. However, only one pool of collateral against a net exposure can be reported under the same legal agreement (*Table 2, field 9, Master Agreement Type*), so this will not work if the reporting parties also transact tri-party repos managed by JP Morgan, given that the collateral for these will be reported on a net exposure basis. In that case, the parties will have divided the collateral between the several repos created from the original one or transact several repos, one for each currency, in the first place.

In cases where the purchase and repurchase prices are in different currencies, ESMA requires that the repurchase price be reported in the currency of the purchase price. ESMA's final Guidelines of January 2020 provide contradictory guidance as to the source of the exchange rates to be used for such conversion. On the one hand, it says to use "the FX rates that those counterparties have used during the course of that working day for exposure management purposes" (p.34, para.132). On the other hand, it says to use exchange rates published by the European Central Bank (ECB) (p.35, para.139). It is recommended that parties follow the first approach, as the use of ECB rates may introduce inconsistencies with internal rates.

Recommendation: Where the purchase and repurchase prices of a repo are in different currencies, the repurchase price should be reported in the currency of the purchase price, into which it should be converted applying the exchange rates used to revalue collateral securities for the purpose of calculating the transaction exposures in individual repos, their overall net exposure to other parties and the consequent variation margins.

5.6 How should fractions of a basis point be reported for spreads over floating rate indexes (field 2.32)?

Table 2, field 32, Spread, is defined in the Annex to the SFTR RTS on transaction reporting as "the number of basis points to be added to or subtracted from the floating interest rate in order to determine the interest rate of the loan" and is limited in Annex 1 of the ITS to five numerical characters (ESMA allows one of the numerical characters to be a negative sign). It has assumed that basis point spreads to floating rate indexes are integers. In practice, particularly in CCP-cleared repos, such spreads can be fractions of a basis point. Unless and until the ITS is amended, it is recommended that, in the case of spreads which are fractions of a basis point, the fractional part should be rounded up to the next basis point if the fraction is at least half of a basis point (0.5 bp) but should otherwise be rounded down to zero.[53]

Recommendation: In the case of spreads to a floating rate index which are fractions of a basis point, the fractional part should be rounded up to the next basis point if the fraction is at least half of a basis point but should otherwise be rounded down to zero.

[53] Note that fractional basis points are allowed by the ISO 20022 XML Schema.

5.7 How should decimal places be rounded (fields 2.23, 2.37, 2.38, 2.49, 2.76, 2.88, 2.89)?

The following data fields have to be reported subject to a maximum number of decimal points.

2.23 (Fixed Rate) --- maximum 10 decimal places.
2.37 (Principal Amount at Value Date) --- maximum 5 decimal places.
2.38 (Principal Amount at Maturity date) --- maximum 5 decimal places.
2.49 (Security or Commodity Price) --- maximum 5 decimal places.
2.76 (Cash Collateral Amount) --- maximum 5 decimal places.
2.87 (Price Per Unit) --- maximum 10 decimal places.
2.88 (Collateral Market Value) --- maximum 5 decimal places.
2.89 (Haircut or Margin) --- maximum 10 decimal places.

However, some of the quantities to be reported in these fields may be agreed or implied to more decimal places than the maximum or parties may wish to report quantities to fewer decimal places. As in the case of spreads over or under floating repo rates (see recommendation 5.6), rounding should be up to the next decimal place if the first unwanted decimal place is at least half of the next decimal place but should otherwise be rounded down to zero. For example, if the number 10.012345 has to be rounded up to five decimal places, it should become 10.01235, but the number 10.012344 should become 10.01234.

Recommendation: Rounding of decimal places should be up to the next decimal place if the first unwanted decimal place is at least half of the next decimal place but should otherwise be rounded down to zero.

5.8 What Type of SFT should be specified in collateral update reports if both repurchase transactions and buy/sell-backs are being transacted under the same Master Agreement Type (field 2.4)?

Collateral updates reports (*Table 2, field 89, Action Type* = COLU) require *Table 2, field 4, Type of SFT* to be completed with one of the four types of SFT specified in SFTR. However, where *Table 2, field 73, Collateralization of Net Exposure* = TRUE, the collateral being reported may relate to a portfolio of repos under the same master agreement (*Table 2, field 9, Master Agreement Type)* which include both repurchase transactions *(Table 2, field 9, Master Agreement Type* = REPO*)* and buy/sell-backs *(Table 2, field 9, Master Agreement Type* = SBSC*).* As this is a matching field, parties will need to agree which type of repo is identified. It is recommended that parties report the type of repo which accounts for most of their business with each other but, if that is not easy to establish or changes frequently, they should report a repurchase transaction (REPO).

Recommendation: Where parties are transacting both repurchase transactions and buy/sell-backs under the same legal agreement, they should report the type of repo which accounts for most of their mutual business or, if that is not clear, they should report a repurchase transaction (REPO).

5.9 How should the Master Agreement Type, Other Master Agreement Type and Master Agreement Version be reported (fields 2.9, 2.10, 2.11)?

Most repos are transacted under standard master agreements such as the ICMA's Global Master Repurchase Agreement (GMRA). ESMA's Validation Rules provide a list of 22 standard master agreements for repos and securities lending for which four-letter codes are provided to fill in *Table 2, field 9, Master Agreement Type*. The Validation Rules also include the codes: "BIAG" for non-standard bilateral agreements; "CSDA" for SFT legal agreements with CSDs; and "OTHR" for any SFT legal agreements for which codes are not provided.

CSDA agreements would appear to be custody and clearing agreements which provide for auto-borrowing and auto-collateralization services by CSDs to clients. It is recommended that similar agreements between custodian banks and clients should be reported with the code BIAG. But commercial SFTs between CSDs and clients, such as cash reinvestment by the treasury operation of a CSD, are likely to documented using standard master agreements, so should be reported with the specific code for that agreement.

Field 2.9, together with the *LEIs* of the reporting parties (fields 1.3 and 1.11), links collateral update reports (*Table 2, field 98, Action Type* = COLU) with loan reports for SFTs which are collateralized on a net basis (*Table 2, field 73, Collateralization of Net Exposure* = TRUE).

Commodity repos are likely to be documented under bespoke bilateral agreements (field 2.9 = BIAG).

Note that the ISDA Master Agreement is occasionally used to document repos. See recommendation 1.9.

Branches will transact under the master agreements of their head offices. In the GMRA, branches covered by a particular agreement have to be expressly identified.

If parties are using a legal agreement that is a standard master agreement but is not listed in the Validation Rules, it should be reported as:

- *Table 2, field 9, Master Agreement Type* = OTHR
- *Table 2, field 10, Other Master Agreement Type* = [name of agreement using up to 50 alphanumeric characters, which means no spaces]

Standard master agreements may be periodically updated. For example, the GMRA has several versions, of which, the 2000 and 2011 are currently the most widely-used versions. The year of publication should be reported in *Table 2, field 11, Master Agreement Version.* Where the year of publication of one of the 22 standard master agreements in the Validation Rules is not known, ESMA requires that field 2.11 be filled in with the year in which the particular document between two parties was signed. However, all master agreements should have a year of publication. A list of publication dates for a number of SFT master agreements can be found at Appendix VIII.

The date on which a master agreement between two parties is renegotiated should not be reported in field 2.11. Nor should field 2.11 be reported as the date on which amendments are issued by the organization responsible for the agreement or the date of any applicable annex.

Field 2.11 should not be reported in the case of CCP rule books. See recommendation 8.2.1.

If parties using one of the 22 standard master agreements listed in the Validation Rules adopt a new version and bring outstanding transactions under the previous version under the terms of the new version (eg under the GMRA 2011, this can be done using the provisions in Annex I(2)), then parties will have to modify field 2.11 in respect of these transactions (*Table 2, field 98, Action Type* = MODI).

Cases where field 2.9 = OTHR include:

- transactions with central banks, both open market operations and credit operations, as central banks tend to have customized legal agreements (see recommendation 7.7 with regards to open market operations by the Bank of England);
- undocumented buy/sell-backs (there should be no undocumented repurchase transactions) --- in this case, field 2.10 = UNDOCUMENTED (see recommendation 7.1);
- CCP-cleared repos --- in this case, 2.10 = [name of *CCP* rulebook for repo using up to 50 alphanumeric characters, which means no spaces]. See recommendation 8.2.3.

In the case of repos negotiated OTC (not on a Trading Venue) but registered post trade with a CCP, parties are required to report a bilateral "prior repo", even where the transaction is contingent on successful registration with the CCP so that no bilateral contract ever exists between the parties. Prior repos should be reported as undocumented (field 2.9 = OTHR and 2.10 = UNDOCUMENTED). In many cases, the parties will not have a bilateral legal agreement to transact repos, so there is no choice. See recommendation 8.4.

Parties may undertake transactions which qualify economically as repos but which are legally constituted by a start leg and a separate forward leg, where the forward leg alone is documented under the Master Securities Forward Transaction Agreement (MSFTA) published by SIFMA or a similar agreement. It is recommended that such transactions should be reported as undocumented (2.9 = OTHR and 2.10 = UNDOCUMENTED).

Parties are often able to transact repurchase transactions and buy/sell-backs under the same legal agreement. However, when making modifications, collateral update reports or corrections (*Table 2, field 98, Action Type* = MODI/COLU/CORR), parties are required to fill in *Table 2, field 4, Type of SFT* with just one type of repo. As this is a matching field, parties will need to agree which type of repo is identified. It is recommended that parties report the type of repo which accounts for most of their business with each other but, if that is not easy to establish or changes frequently, they should report a repurchase transaction (REPO). See recommendation 5.8.

In the case of reverse securities loans and Japanese Gentan repos, there are obstacles to reporting using the loan and collateral data fields intended for securities lending transactions. ESMA has agreed that such transactions should instead be reported using the loan and collateral data fields

intended for repos. This means that reports would include what may appear to be contradictory data:

- *Table 2, field 4, Type of SFT* = REPO
- *Table 2, field 9, Master Agreement Type* = [securities lending master agreement]

See recommendation 1.10.

The legal agreement employed by parties will usually determine how they should report certain other fields:

- Table 2, field 20, Method Used to Provide Collateral --- for example, it is always true that under the unamended GMRA and GMSLA 2010, field 2.20 = TTCA;
- Table 2, field 95, Availability of Collateral for Reuse --- for example, it is always true that under the unamended GMRA and GMSLA 2010, field 2.95 = TRUE --- see recommendation 6.15.

However, this rule applies only to standard master agreements, as published by the relevant authors. Parties may amend these agreements and make them bespoke. For this reason, it is important therefore that those responsible for SFTR reporting seek internal legal advice on these matters.

Parties should take care not to report field 2.20 = SIUR (security financial collateral arrangement with right of re-hypothecation) for true repos. It is a common mistake to say that collateral is "pledged" in a repo. In a true repo, collateral is sold, not pledged. In repos under the GMRA, collateral is always sold, so field 2.20 should always be reported as TTCA. The same is true of the US MRA, although there may be confusion here because pledging is used as a fall-back provision in the event that title transfer does not work.

Legal agreements also set out how repos or portfolios of repos are managed for various purposes and in particular circumstances:

- variation margining of bilaterally-cleared repos --- for example, see paragraph 4 of the GMRA and recommendation 9.10;
- Repricing, which is used as an alternative to variation margin calls --- for example, see paragraphs 4(j)[(l) of the GMRA and recommendation 9.1;
- corporate events and actions --- for example, see paragraph 6 of the GMRA and the Equity Annex to the GMRA, and recommendation 9.12;
- default by a counterparty --- for example, see paragraph 10 of the GMRA and recommendation 9.18.

Recommendation 1: CSDA-like agreements between custodian banks and clients should be reported with the code BIAG.

Recommendation 2: Transactions which qualify economically as repos but which are legally constituted by a start leg and a separate forward leg, where the forward leg alone is documented, should be reported as undocumented.

Recommendation 3: Where parties are transacting both repurchase transactions and buy/sell-backs under the same legal agreement, they should report the type of repo which accounts for most of their mutual business or, if that is not clear, they should report a repurchase transaction (REPO).

5.10 What should be source of the time in an Execution Timestamp (field 2.12)?

The time included in *Table 2, field 12, Execution Timestamp*, should be the moment that a contract is formed between the parties, which should be synonymous with the time of execution or registration by a CCP. However, some parties may use the time at which a repo is "booked", that is, captured by their books and records. Booking times are likely to differ between parties. As field 2.12 is a matching field with a tolerance of one hour between the times reported by the two parties, there is a risk of mismatching where the booking times differ by more than one hour. In the event of a mismatch on field 2.12, the parties will have to agree a common *Execution Timestamp*. It is recommended that they use the earliest of the *Execution Timestamps* they have reported.

See recommendation 5.18.

Recommendation: Where the *Execution Timestamps* reported by two parties to the same transaction differ by more than one hour, causing the report of the transaction to be mismatched, the party with the latest *Execution Timestamp* should send a corrected report using the earlier *Execution Timestamp* reported by the other party.

5.11 How should the partial termination of a repo be reported (field 2.37)?

It is possible for the parties to a repo to agree to reduce the size of the transaction during its life. This change may be referred to as a "partial termination", a "partial return" or simply as a reduction in transaction size.

Where a change in size is achieved without terminating the existing contract and replacing it with a new contract, the change should be reported as a modification of the transaction (*Table 2, field 89, Action Type* = MODI). *Table 2, field 3, Event Date*, for this type of modification is the date on which the change takes effect, that is, the intended settlement date on which the excess cash is paid back to the buyer and the excess collateral is redelivered to the seller.

In the case of a fixed-term fixed-rate repo, the reduction in transaction size will be reported as a reduction in:

- *Table 2, field 38, Principal Amount on the Maturity Date*

In the case of fixed-term, open and floating-rate repos, reductions will also be reported in:

- *Table 2, field 83, Collateral Quantity or Nominal Amount*
- *Table 2, field 88, Collateral market Value*

However, it is not possible to change *Table 2, field 37, Principal Amount on Value Date*, to the smaller new transaction size because this field is defined in the RTS on transaction reporting as the "cash to be settled as of the value date of the transaction" and *Table 2, field 13, Value Date*, cannot be modified. This leads to the odd situation that the repurchase price becomes smaller than the purchase price.

The same rule applies to an increase in transaction size.

In the event that a change in the size of a repo fails to settle, see recommendation 9.16.

5.12 What is the Execution Timestamp for agency repos (field 2.12)?

An agent may negotiate a single repo with a counterparty on behalf of more than one client. This is sometimes called a "block trade" "pooled" transaction. The agent, who is not a principal to the block trade, is obliged to subsequently to allocate a share in this trade to each of its clients to create several identical repos, one between each client and the counterparty. Under the Addendum to the Agency Annex of the GMRA (GMRA 2000, para.4(b) and GMRA 2011, para.4(a)), each repo between a client and the counterparty is deemed to have been entered into upon the allocation. It is at this point that contractual relationships are established between the party with whom the agent agreed the block or pooled transaction on one side and the agents' clients on the other side. Consequently, for agency repos under the GMRA, *Table 2, field 12, Execution Timestamp*, should be the date of allocation, not necessarily the date of agreement with the counterparty.

Should an agent delay allocation until after the date of agreement with the counterparty, the agent should notify the counterparty to avoid a reporting mismatch.

Note that the clients and the counterparty should not report the block trade agreed between the agent and the counterparty, which would then require the parties to terminate that repo and replace it with reports of the allocated repos (which would be similar in concept to the "prior" repo that sometimes has to be reported ahead of CCP-cleared repos). This applies even where the agent delays allocation until after the date of agreement with the counterparty.

Recommendation 1: Should an agent delay allocation until after the date of agreement with the counterparty, the agent should notify the counterparty.

Recommendation 2: The clients of an agent and the counterparty to the client should not report the block trade agreed between the agent and the counterparty.

5.13 What is reported if a voice-brokered transaction is subsequently registered on an electronic platform (field 2.8)?

In order to digitize transaction data for online regulatory reporting, to cut cost and risk by employing straight-through processing (STP) and to directly access CCPs, parties negotiating transactions in the OTC market often register them on electronic platforms. The transaction may have been arranged by a voice-broker. The question arises as to whether execution should be reported as being arranged by the voice-broker or on the electronic platform.

If the repo voice-broker is not authorized as an OTF or MTF under MiFID II or the repo voice-broking operation of an entity voice-broking a range of products is not part of that entity's OTF or MTF, the transaction is OTC. Other things being equal, the report of a transaction arranged by such a voice-broker should include the following fields:

- *Table 1, field 15, Broker* = [LEI of repo voice-broker]
- *Table 2, field 8, Trading Venue* = XXXX

However, should this transaction be immediately registered on an electronic platform that qualifies as a *Trading Venue* under SFTR, the report should include:

- *Table 1, field 15, Broker* = [LEI of repo voice-broker]
- *Table 2, field 8, Trading Venue* = XOFF

By registering the transaction, the *Trading Venue* will accept the responsibility to generate *Table 2, field 1, UTI*, unless the parties have agreed the *UTI* bilaterally beforehand.

If the repo voice-broker is authorized as an OTF or MTF under MiFID II or the repo voice-broking operation of an entity voice-broking a range of products is part of that entity's OTF or MTF, the voice-broker qualifies as a Trading Venue under SFTR. In this case, the question is whether the voice-broker or the electronic platform should be reported in field 2.8. There is a case for arguing that the voice-broker is the execution venue and the electronic platform is just a data capture interface. However, the parties' books and records will be fed by the electronic platform and the participation of the voice-broker may not be fully reported, for which reason and to follow a procedure consistent with the case where the voice-broker is not an OTF or MTF, it is recommended that field 2.8 should be the segment MIC of the electronic platform. The electronic platform would be obliged to generate the *UTI*. Field 1.15 should be left blank.

Note that a list of some of the entities that are authorised as OTFs or MTFs, including some repo voice-brokers, is given in Annex VI. These entities qualify as Trading Venues under SFTR. A list of some of the repo voice-brokers who are not authorised as OTFs or MTFs in the EU, and who therefore do not qualify as Trading Venues as SFTR is given in Annex VII.

Recommendation: If a repo is arranged by a voice-broker who is not an OTF or MTF and then registered on an electronic platform that is an OTF or MTF, field 2.8 should report the segment MIC of the electronic platform. If the repo is arranged by a voice-broker who is an OTF or MTF and then registered on an electronic platform that is also an OTF or MTF, field 2.8 should also report the segment MIC of the electronic platform and not that of the voice-broker.

5.14 Does the deadline for NEWT, MODI, ETRM and CORR reports apply to the time it was sent or the time it was received?

The question has arisen as to whether the time at which a report is considered as having been made is the time it is submitted by the reporting party (*Table 1, field 1, Reporting Timestamp*) or the time it is received by the trade repository. This matter is relevant to the determination of whether a report is timely or tardy, where that report is submitted close to the deadline.

ESMA's Validation Rules state that, "The receipt of the report should be understood as the moment the report enters a TR's system." This can be taken as implying that the receipt by the trade repository fixes the time at which a report will be considered to have been made.

However, SFTR Article 4(1) says, "Counterparties to SFTs shall report the details of any SFT they have concluded, as well as any modification or termination thereof, to a trade repository... Those details shall be reported no later than the working day following the conclusion, modification or termination of the transaction." In other words, SFTR refers to the act of sending a report by a party, not to the act of receiving by a trade repository. SFTR takes precedence over the Validation Rules.

However, it is best practice not to send a report close to the deadline in order to avoid the risk of interruption by unexpected communication problems.

Recommendation: Reports to a trade repository should not be sent close to the deadline for reporting.

5.15 What is the reference day for the deadline for NEWT, MODI, ETRM and CORR reports?

SFTR Article 4(1) says, "Counterparties to SFTs shall report the details of any SFT they have concluded, as well as any modification or termination thereof, to a trade repository... Those details shall be reported no later than the working day following the conclusion, modification or termination of the transaction."

ESMA's Final Report of January 2020 says that, "... in the context of SFTR, the concept of conclusion should be aligned with the concept of commitment to the books and records." This means that the date on which the details of a repo are captured by a party's booking system will be the transaction date (T) for the purpose of setting the reporting deadline (T+1) for NEWT, MODI, ETRM and CORR reports (remembering that all times, including the end of a working day, are fixed in local time but reported in UTC --- see recommendation 1.14).

The day of the conclusion of a repo will be the same date as in *Table 2, field 3, Event Date*, for a new transaction report (*Table 2, field 98, Action Type* = NEWT). It is very likely to be the date in *Table 2, field 12, Execution Timestamp*, but this is not automatic, as field 2.12 may be generated by a trading venue.

See recommendation 5.18.

5.16 What is the Trading Venue for an agency repo (field 2.8)?

As explained in recommendation 1.15, an agent may negotiate a single repo with a counterparty on behalf of more than one client. This is sometimes called a "block trade". The agent is obliged to subsequently to allocate a share in the block trade to each of its clients to create several identical repos, one between each client and the counterparty to the block trade. Under the Addendum to the Agency Annex of the GMRA (GMRA 2000, para.4(b) and GMRA 2011, para.4(a)), each repo between a client and the counterparty to the block trade is deemed to have been entered into upon the allocation.

Block trades may be negotiated on an automated trading platform but the allocation will be made off the venue. Consequently, for agency repos under the GMRA, the question arises as to whether the repos between each client and the counterparty to the block trade are transacted on the automated trading platform or over the counter (OTC). For the former, *Table 2, field 8, Trading Venue* would be the segment MIC of the automated trading platform. For the latter, field 2.8 would be XXXX.

Reporting the platform on which a block trade was agreed by an agent and a counterparty as the *Trading Venue* raises numerous problems. First, it does not reflect the contractual situation that the contracts between each client and the counterparty to a block trade are created off the platform, which has been recognized in recommendation 1.15. Second, re-allocations would require the *Trading Venue* to be modified, which could complicate reporting. Third, if the platform is the identified as the *Trading Venue*, it implies that it should generate a *UTI* for each allocation. This would have to be overridden by bilateral agreements with the counterparty. Accordingly, it is recommended that field 2.8 should be reported as XXXX.

Recommendation: If an agent negotiates a block trade on behalf of clients on an automated platform, field 2.8 should be reported as XXXX.

5.17 Reporting unlisted day count conventions (field 2.24)?

Table 2, field 24, Day Count Convention, becomes a mandatory field for repurchase transactions (*Table 2, field 4, Type of SFT* = REPO) when either *Table 2, field 23, Fixed Rate*, or *Table 2, field 25, Floating Rate*, is filled in. Table 2.24 is a matching field from the start of reporting. The ITS and Validation Rules list codes for 14 conventions. If a convention is not listed, there is provision for the use of up to 35 alphanumeric characters to describe the unlisted convention. Because field 2.24 is a matching field, parties would have to agree the description.

In order to avoid mismatches when reporting an unlisted convention in field 2.14, it is recommended parties use either of the following two formats: AxYF or XaxYF, where:

- "A" stands for "actual", meaning that the day count would be the actual number of days in the term (as in standard conventions such as A/360 or A/365F);
- "X" is the number of days assumed in one month where the convention limits the number of days in one month (eg X would be 30 in the convention 30/360);
- "a" is an optional suffix letter in the day count that may be required to distinguish the method of calculating X (eg E in the convention 30E/360);
- "x" is used as a symbol to separate the day count and annual basis (given that an oblique symbol is not permitted);
- "Y" is the annual basis, in other words, the number of days assumed in one year (usually 360 or 365);
- "F" is an optional suffix letter attached to the annual basis that may be required to indicate that a leap year does not change the annual basis (as in A/365F).

For example, the convention 28/365 would be reported as 28x365.

5.18 What is the transaction date (T) for a repo?

Although a repo consists of two legs, if it is documented under a written legal agreement such as the GMRA, the two legs are part of the same transaction and are executed simultaneously. There is therefore only one transaction date and that is at the date on which the repo is executed and the contract formed. ESMA defines “execution” as when a transaction is “committed to the books and records” of an entity (Final Report of January 2020, pp.33-34, paras,137-144) and not when parties “start to exchange electronic information related to the conclusion” (ESMA Q&A of 5 November 2020, Answer 1(a)).

6. Collateral data fields

6.1 Should collateral allocation be reported on a net exposure basis (field 2.73)?

Most repos are individually collateralized. In these cases, there must be a single report for each new repo with its own set of populated collateral fields or, where the collateral is not known in time to be reported on T+1, an initial report, consisting largely of counterparty and loan data, followed no later than S+1 by a subsequent end-of-day collateral update report for that repo (*Table 2, field 89, Action Type* = COLU), giving all the required details about the collateral allocation. The collateral update report should be linked to the first report by the *UTI*. In ESMA's Final Report of March 2017, this is called "**trade-based collateral allocation**" (section 4.3.7.2.1, para.259).[54]

In the case of GC financing facilities, repos are cleared and collateralized by a single pool of collateral which covers the net exposure of all GC financing repos outstanding between the same two parties (or, in the case of £GC, all repos in the same netting set, which means all repos with the same maturity date). The same is true of tri-party repos managed by JP Morgan. The Final Report of March 2017 calls such an approach "**collateral allocation based on net exposure**" (para.260(a)).[55] In this case, there would be one end-of-day collateral update report for each netting set of GC financing repos or each portfolio of tri-party repos managed by JP Morgan. Each net collateral pool is supposed to be linked to a set of repos by the following fields:

- *Table 1, field 3, Reporting Counterparty* = [LEI]
- *Table 1, field 11, Other Counterparty* = [LEI]
- *Table 2, field 9, Master Agreement Type* = OTHR[56]

Where field 2.9 = OTHR, it will also be necessary to include:

- *Table 2, field 10, Other Master Agreement Type* = [name of *CCP* rulebook for repo]

The above list of fields formerly included *Table 2, field 74, Value Date of Collateral*, which was intended to link a set of GC financing repos with its particular net collateral pool. However, as field 2.74 did not adequately fulfil this function, it was dropped by ESMA in its final Guidelines of January 2020 (p.126, para.352) and in its Validation Rules.

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[54] The way in which repos other than those traded on a GC financing facility or managed on a tri-party basis by JP Morgan are initially collateralized should not be confused with the way in which variation margining work for this type of repo. Variation margining is usually calculated on a net exposure basis even for repos that are not traded on a GC financing facility or managed on a tri-party basis by JP Morgan (the reporting of variation margins is discussed in recommendation 9.10).

[55] GC financing facilities offer both CCP-clearing and tri-party collateral management services. They are often accessed through automatic trading systems (ATS). Collateral is allocated against the net exposure of a portfolio of GC financing facility repos. There are three such facilities in the EU at the moment: Eurex Repo's GC Pooling market and LCH's €GC Plus and £GC (formerly, Term DBV). Parties in the EU can also access GCF in the US, which is a GC financing facility operated by the US CCP, FICC, for which Bank of New York Mellon acts as tri-party agent (see recommendation 8.6)

[56] In fact, where field 2.9 = OTHR, it will only help provide a link to the portfolio of underlying repos if the reporting party has only one master agreement type under the category OTHR. It is likely that parties will have several agreements (CCP rule book) in place with a CCP, one for each agreement, so the three linking fields would not be a unique connection between the portfolio and collateral.

In the Final Report of March 2017, collateral allocation on a net exposure basis seems to be limited to "open" repos, by which ESMA means repos not cleared by a *CCP* and yet to mature or be terminated (not open-term repos). ESMA's draft Guidelines of May 2019 did not confirm or reject this restriction. However, Article 3(7) of SFTR does not limit the reporting of the collateralization of net exposures to repos not cleared by a *CCP*. Given the reality that the net collateralization of repos applies mainly to those executed on GC financing facilities, it is recommended that such repos should be reported as being collateralized on a net exposure basis, notwithstanding the uncertainty in ESMA's guidance.

In order to indicate that a report is of collateral against a net exposure, it should include:

- *Table 2, field 73, Collateralization of Net Exposure* = TRUE.

Logically, repos that are individually collateralized (in other words, at trade level) should be reported with field 2.73 = FALSE. However, in May 2020, ESMA stated that it requires all repos not cleared on a *CCP* and under the same master agreement for which variation margin is calculated against the net exposure of those repos to be reported with field 2.73 = TRUE , notwithstanding that they are collateralized individually. The only exceptions are:

- tri-party repos (other than those managed by JP Morgan), as these are managed individually;
- any individual repo for which an express decision has been taken by the parties to margin that repo separately from other repos under the same master agreement;
- undocumented buy/sell-backs (variation margin is not possible in the case of undocumented buy/sell-backs as they are formed of two separate contracts). See recommendation 9.10 on variation margining.

For more on ESMA's guidance on field 2.73, see recommendation 9.3.

If the collateral allocation on a repo transacted on a GC financing facility or managed on a tri-party basis by JP Morgan is not known in time to report to a trade repository by T+1, the report of the loan data of new transaction (*Table 2, field 98, Action Type* = NEWT) should include:

- *Table 2, field 96, Collateral Basket Identifier* = [ISIN of the collateral basket from which the allocation is being made or, if there is no ISIN for the basket, the code NTAV (not available)

The collateral allocation will be reported subsequently in an end-of-day COLU report, as soon as it is known but not later than S+1.

See sample reports 2.17 and 2.18 for examples of the recommended reporting of GC financing repos.

In the case of a branch in the EU of a non-EU entity or a branch in the UK of a non-UK entity, if it has been decided that the branch will report those SFTs in which it has been involved, a problem will arise if the initial collateral for those SFTs is allocated against the net exposure of a portfolio which includes SFTs transacted by the head office of that branch. In theory, the collateral should be divided between the branch and the head office in order to meet the FSB's objective of avoiding the double-counting of SFTs between different jurisdictions. However, the division of collateral allocated against a net exposure is impracticable. It is recommended, therefore, that the

collateral should be reported only by whichever entity is responsible for the greater share of transactions. This would typically be the head office.

If there is more than one branch in the EU of a non-EU entity or more than one branch in the UK of a non-UK entity and these branches do not all have their own LEIs, where SFTs are with the same counterparty, the individual collateral reports of the branches will share the same *Table 1, field 3, Reporting Counterparty*, *Table 1, field 11, Other Counterparty* and *Table 2, field 9, Master Agreement Type* (which are the unique fields for collateral reports related to the collateralization of a net exposure) and would therefore over-write each other at the trade repository. In this case, if the branches are responsible for the greater share of transactions, they would have to submit an aggregated re-use report.

See also recommendation 9.3.

Recommendation 1: All collateral allocated to repos which are not cleared by a CCP should be reported with field 2.73 = TRUE, except tri-party repos (other than those managed by JP Morgan), as these are managed individually, and also any individual repo for which an express decision has been taken to margin that repo separately from other repos under the same master agreement. Collateral allocated to repos cleared by a CCP should be reported with field 2.73 = FALSE where collateral allocation is trade-based even though margining is against the net exposure.

Recommendation 2: In the case of a branch in the EU of a non-EU entity or a branch in the UK of a non-UK entity, if it has been decided that the branch will report those SFTs in which it has been involved but the initial collateral for those SFTs is allocated against the net exposure of a portfolio which includes SFTs transacted by the head office of that branch. collateral should be reported only by whichever entity is responsible for the greater share of transactions.

6.2 What is the Value Date of Collateral (field 2.74)?

This field was introduced in ESMA's Final Report of March 2017, the intention being to allow the regulator to identify collateral delivered in advance of the value date of a securities loan in order to avoid such collateral being interpreted as unintended over- or under-collateralization (p.90, paras.273-275). Advance delivery of collateral is a common feature of securities lending and is called "pre-payment".[57]

However, the use of field 2.74 was subsequently extended to repos to try to help link a portfolio of repos collateralized on a net basis with the relevant net pool of collateral in concert with a number of other fields:

- *Table 1, field 3, Reporting Counterparty* = [LEI]
- *Table 1, field 11, Other Counterparty* = [LEI]
- *Table 2, field 9, Master Agreement Type*

In ESMA's Validation Rules, field 2.74 is defined as "Where trades have been collateralized on a net exposure basis, the latest value date contained in the netting set of SFTs, taking into consideration all of the transactions for which the collateral was provided". The field is conditional for collateral update reports on *Table 2, field 73, Collateralization of Net Exposure* = TRUE.

Strictly-speaking, field 2.74 should apply only to repos transacted on a GC financing facility or tri-party repos managed by JP Morgan.[58]

In reality, field 2.74 is not useful as a link between a portfolio of repos and a net pool of collateral, as there is no reason why net collateralized repos will have later value dates than repos collateralized trade by trade under the same agreement.[59] In the case of LCH Ltd's £GC, field 2.74 is at odds with the fact that the sets of £GC repos which are net collateralized are defined in terms of their common maturity date. In view of these problems, ESMA's Validation Rules have been amended to remove the need to report field 2.74 for new transactions (*Table 2, field 98, Action Type* = NEWT). This field is now only required for collateral update reports (*Table 2, field 98, Action Type* = COLU) and correction reports (*Table 2, field 98, Action Type* = CORR).[60]

[57] The Final Report specifically refers to securities lending, describing "collateral delivered before the loan is released".

[58] GC financing facilities offer both CCP-clearing and tri-party collateral management services. They are often accessed through automatic trading systems (ATS). Collateral is allocated against the net exposure of a portfolio of GC financing facility repos. There are three such facilities in the EU at the moment: Eurex Repo's GC Pooling and LCH's €GC Plus and £GC (formerly called Term DBV). JP Morgan is the only tri-party agent in the EU that collateralizes repos on a net basis.

[59] Thus, repos transacted on a GC financing facility involving a *CCP* (Eurex Repo's GC Pooling, LCH's €GC Plus and £GC repos) will be governed by the same *CCP* rule book as other cleared repos, repos transacted on a GC financing facility not involving a *CCP* (some £GC repos) will be governed by the same bilateral master agreement as other bilaterally-cleared repos and tri-party repos managed by JP Morgan will be governed by the same bilateral master agreement as other repos not involving a *CCP* or another tri-party agent.

[60] In its final Guidelines of January 2020, ESMA states that, "regarding the value date of the collateral, this field is only applicable to SLB in the context of prepaid collateral". This statement contradicts the Validation Rules or may be poorly drafted and actually mean that, in the specific case of securities lending, the field only applies when there is prepaid collateral.

Note that the requirement to fill out field 2.74 in CORR reports but not in NEWT reports has caused problems for reporting systems which have been built to expect fields in CORR reports to be the same as fields in the corresponding NEWT reports. In the case of field 2.74, this is not required.

In addition, if a NEWT report is being corrected by one of the parties, the CORR report that it sends to make the correction will over-write field 2.74 of its NEWT report. As field 2.74 of the other party's NEWT report will not have been filled in (as it is not required for NEWT reports), there will now be a mismatch between the two NEWT reports in respect of field 2.74. It is recommended that, if party corrects a NEWT report, it informs its counterparty, who should correct their NEWT report (even though their report is not incorrect) by sending a CORR report with field 2.74 filled in.

When field 2.74 is used in a COLU or CORR report for a portfolio of repos that will be transacted in the future --- in other words, for true pre-payment of collateral --- it is recommended that this field should be the latest of the values date of the future repos. On the other hand, when field 2.74 is used in a COLU or CORR report for a portfolio of repos that have already been transacted and to which new repos may be added, it is recommended that this field should be the value date of the most recently-transacted repo in the portfolio.

Recommendation 1: When field 2.74 is used in a collateral update or correction report for a portfolio of repos that will be transacted in the future, this field should be the latest of the values date of the future repos. Otherwise, field 2.74 should be the value date of the most recently-transacted repo included in the same portfolio.

Recommendation 2: If one party corrects a NEWT report, it should inform its counterparty, who should correct their NEWT report (even though their report is not incorrect) by sending a CORR report with field 2.74 filled in.

6.3 How should the General Collateral Indicator be reported (field 2.18)?

The SFTR RTS on transaction reporting requires that parties report whether a repo is against "general collateral" (GENE) or "specific collateral" (SPEC) in the mandatory matching field:

- *Table 2, field 18, General Collateral Indicator*

ESMA's Validation Rules define:

- general collateral repo as involving "a general collateral arrangement…in which the collateral giver may choose the security to provide…amongst a relatively wide range of securities meeting predefined criteria" and
- specific collateral as involving "a collateral arrangement for a transaction in which the collateral taker requests a specific security (individual ISIN) to be provided by the collateral provider".

Note that general collateral is not entirely synonymous with the allocation of multiple securities, although that is common. Specific collateral can also include multiple security issues. For example, equity repos are frequently collateralized by indexes.

Originally, field 2.18 was intended to differentiate general collateral (GC) repo from special collateral (trading at a repo rate below the GC repo rate), until ESMA accepted that this was not practicable. It is therefore important to recognize that the definition of general collateral for field 2.18 is not the same as in the market, where general collateral means securities of the same class which are trading at the same or very similar repo rate.

It is recommended that, in order to avoid reporting mismatches, the ESMA definition of general collateral should be followed closely, which means that, in practice, the only repos that should be reported as general collateral should be those:

- traded on what are advertised as GC trading facilities provided by a *Trading Venue* which is an automatic trading system (ATS) where such repos are not cleared by a *CCP* --- but note the problem discussed below;
- traded on GC financing facilities which are cleared by a *CCP* and managed by a tri-party agent (which, in the EU, are Eurex Repo's GC Pooling and LCH's €GC Plus and £GC);
- not traded on a *Trading Venue* but are managed by a tri-party agent;
- which are used for auto-collateralization (see Recommendation 1.6).

In effect, SPEC becomes the default option for reporting field 2.18.

In all the above cases, the seller or its agent can allocate collateral from "a relatively wide range of securities meeting predefined criteria", which is ESMA's definition of general collateral.

In theory, the definition of GC repo should include repos traded on what are advertised as GC trading facilities provided by a *Trading Venue* which is an automatic trading system (ATS) where such repos are cleared by a *CCP*. However, technical obstacles mean that, where several securities are allocated as collateral, *CCPs* cannot currently recognize the securities that have been allocated

as collateral for a single GC repo. Instead, the *CCP* sees each security as collateral for a separate repo and will report each as a specific repo with its own UTI. All repos with a *CCP* should therefore be reported with field 2.18 = SPEC, except for those transacted across a GC financing facility. See recommendation 8.2.1.3.

The recommendation does not include traditional OTC bilaterally-cleared and bilaterally-managed GC transactions in the definition of general collateral for field 2.18. This is because of the inexact content of GC baskets in most repo markets, which means that it could be difficult in practice to ensure that both reporting parties agree, record and report the same transaction as being against general collateral.

In addition, ESMA's definition of GC implies that whatever the collateral-giver selects from the collateral basket has to be accepted by the collateral-taker. In contrast, in traditional OTC bilaterally-cleared and bilaterally-managed GC transactions, the collateral-taker can ultimately refuse what is proposed as collateral, even if the collateral-giver believes that the proffered securities meet pre-defined criteria.[61]

The recommendation made here was one of the two options given by ESMA in its draft Guidelines of May 2019 (the other is to go back to the original idea of equating specific collateral with special collateral as identified by a differential between the repo rate on the reported transaction and the GC repo rate prevailing in the market at the same time). However, ESMA's Final Report of January 2020 gave no specific guidance one way or the other (p.67, para.422), but supported a "flexible approach", so the recommendation remains unchanged.

In its final Guidelines of January 2020, ESMA raised the highly unusual case of a repo transacted on the GC basis but subsequently converted, by agreement between the parties, to a specific collateral transaction in which the buyer allocates the collateral (whereas, in a GC repo, the seller allocates the collateral) (p.92, para.251). ESMA requires that, in this case, the original GC repo be modified (*Table 2, field 98, Action Type* = MODI) by changing 2.18 from GENE to SPEC.

Recommendation: Only collateral allocated in repos transacted on GC facilities on an ATS that is not connected to a *CCP* or on GC financing facilities and/or repos managed by a tri-party agent or in auto-collateralizations should be reported as general collateral.

[61] In contrast, collateral allocated in GC facilities and tri-party arrangements cannot be refused by the collateral-taker as the list of eligible collateral is pre-agreed.

6.4 How should the Collateral Basket Identifier be used (field 2.96)?

Table 2, field 96, Collateral Basket Identifier, identifies the fact that any security in a pre-agreed list of securities (a so-called "collateral basket") will be acceptable as collateral to the collateral-taker, any of which can therefore be selected from the account of a collateral-giver, typically by a tri-party collateral manager, to collateralize a GC (general collateral) repo between the two parties. The list would be pre-agreed between the parties or could be prescribed by a *Trading Venue* or *CCP* that the parties might be using.[62]

Where the ISINs of the specific securities actually selected by reference to a collateral basket are not known by the parties in time to report by the T+1 deadline and the basket has its own ISIN (often called a "shell" ISIN), this ISIN should be reported in field 2.96. The specific ISINs that are subsequently allocated must then be reported in an end-of-day collateral update report (*Table 2, field 98, Action Type* = COLU) for that repo, no later than S+1, and should be linked to the original loan report by its *UTI*.[63]

Where the ISINs of the specific securities actually selected by reference to a collateral basket are not known by the parties in time to report by the T+1 deadline and the basket does not have its own ISIN, field 2.96 should be reported with the code "NTAV" (not available). But once again, the specific ISINs that are subsequently allocated must be reported in an end-of-day collateral update report for that repo, no later than S+1, and should be linked to the original loan report by its *UTI.*

In practice, most collateral baskets do not have ISINs. Instead, the collateral-giver uses a proprietary code to describe the basket in any instructions to the tri-party agent and for internal use. These codes can have the same format as ISINs and are consequently sometimes called "dummy" ISINs. Parties should not report these proprietary codes as the *Collateral Basket Identifier* but should instead report *Collateral Basket Identifier* = NTAV. This approach was confirmed in ESMA's draft Guidelines of May 2019 (p.121, para.320).

Where a repo or portfolio of repos is not collateralized by an allocation from a collateral basket, field 2.96 should be left blank. This field (and the code NTAV) should not be used where there is no collateral basket but the security or securities provided as collateral are for some reason not known in time to report by T+1.

Where a collateral allocation with reference to a basket without an ISIN is unknown in time to report by T+1, it is not acceptable, as an alternative to reporting field 2.96 = NTAV, to report a

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62 LCH have sourced the ISINs for €GCPlus (XS0708254148 and XS0708254817 for the LCR Equivalent and ECB Restricted baskets, respectively) and for £GC (GB00BC7H8L40). Eurex Repo has sourced the ISINs for EuroGC Pooling (DE000A0E077, DE000A0WKKX2, DE000A1PHUP5, DE000A1EZNP6 and DE000A1PHUN0 for the ECB, ECB EXTended, INT MXQ, Equity and CTD baskets).

63 The Consolidated Validation Rules of May 2019 made some of the fields describing specific securities allocated as collateral (specifically, fields 2.78, 2.79, 2.83, 2.85-2.90 and 2.92-2.95) conditional on *Table 2, field 2.75, Type of Collateral Component* = SECU, and field 2.96 ≠ NTAV. This would have meant that, if field 2.96 was filled in with a basket ISIN, it would still have been necessary to include in the loan report the details of specific securities, even though they would not be known in time. However, the revised Validation Rules of October 2019 have made the fields describing specific securities conditional only on field 2.75 = SECU.

repo as uncollateralized (*Table 2, field 72, Uncollateralized Securities Lending Flag* = TRUE). In its Final Report (p.60, para.179), ESMA states "The field "Uncollateralised SL flag" should not be used when an SFT is collateralized but the collateral allocation at an ISIN level is not known by the reporting deadline of T+1. In that case, the counterparties should report the transaction as collateralized and provide the information on collateral in accordance with the relevant timelines included in section 4.3.7". In any case, by definition, field 2.72 applies only to securities lending.

Where field 2.96 = NTAV, then *Table 2, field 75, Type of Collateral Component*, should not be filled in. This is because the identity of the collateral is not known. Although parties may feel certain that the collateral allocation will be securities, it is possible for a tri-party collateral manager to allocate cash in the event that there is a temporary shortage of eligible securities.

Where the allocation of collateral by reference to a basket will be known in time to report by T+1 but a party wishes to report the loan data as soon as possible, although before the collateral allocation is known, the party can, if it wishes, send a report with field 2.96 = NTAV as soon as it is ready to report the loan data and subsequently send a collateral update that lists the collateral allocation at any time up to and including S+1.

Recommendation 1: Where the specific security or securities allocated with reference to a collateral basket are not known in time to report by T+1, field 2.75 should be left blank and field 2.96 should be filled in with either the ISIN for the collateral basket from which the allocation will be made where one has been issued by a national numbering agency or, if there is no such basket ISIN, the code NTAV.

Recommendation 2: In NEWT, COLU and CORR reports of repos, either field 2.75 or field 2.96 should be filled in but not both.

Recommendation 3: Where a collateral basket has an ISIN issued by a national numbering agency, that so-called "shell" ISIN should be reported in field 2.96 when the reporting of collateral allocations is not possible by T+1. Dummy ISINs or other proprietary codes for collateral baskets should not be reported. Instead, the field should be filled in with the code NTAV. This code should also be used where the delayed allocation of collateral is to be made from a basket that has not been identified by the reporting deadline.

6.5 What is the Currency of the Collateral Nominal Amount (field 2.85)?

Table 2, field 85, Currency of the Collateral Nominal Amount, should be the ISO 4217 code for the currency in which the principal is to be repaid at the maturity of a collateral security (ie the currency of the redemption proceeds), regardless of the currency in which coupons may be paid or in which currency the market price of the security may be quoted. The *Currency of the Collateral Nominal Amount* should be the same currency as that of *Table 2, field 88, Collateral Market Value* other than in the exceptional case of a security being issued in one currency but being redeemed in another.

This field should not be filled in if the collateral is equity given that it is a nominal amount (ESMA's Guidelines of January 2020, p.126, para.355).

Recommendation: The *Currency of the Collateral Nominal Amount* should typically be the currency in which the principal is to be repaid at the maturity of a security.

6.6 What is the Price Currency of a collateral security (field 2.86)?

In most cases, fixed-income securities are quoted as a percentage of their nominal value. In this case, *Table 2, field 86, Price Currency*, should be left blank. But in the case of a security for which prices are expressed in a currency unit (for example, an equity), that currency should be the *Price Currency*.

See also recommendation 6.19.

Recommendation: Where the price of a security is quoted as a percentage of the nominal value of the security, the *Price Currency* of the collateral should be left blank.

6.7 What is the Price Per Unit of a collateral security (field 2.87)?

Table 2, field 87, Price Per Unit, of a fixed-income security should be the dirty market price of the security (that is, including accrued interest) expressed as a percentage of the nominal value (in which case, *Table 2, field 86, Price Currency,* should be left blank --- see recommendation 6.6). Where price is quoted in currency units (for example, in the case of equity), *Price Per Unit,* should be the price as quoted in those currency units (which should therefore be reported as the *Price Currency)*.

Price Per Unit should not incorporate any haircut in order to be consistent with the recommendation on *Collateral Market Value* (see ESMA's draft Guidelines of May 2019, p.141, para.355). Nor should discounts, mark-ups or add-ons be included.

The *Price Per Unit* of collateral in the initial report of a repo (*Table 2, field 98, Action Type* = NEWT) should be that agreed between the parties at the point of trade. However, the *Price Per Unit* for collateral updates after the initial report (*Table 2, field 98, Action Type* = COLU) should be those used to revalue collateral securities for the purpose of calculating the transaction exposures in individual repos, their overall net exposure to another party and the consequent variation margins (see recommendation 9.3). In its draft Guidelines of May 2019, ESMA proposed that parties use the reconciliation of *Table 2, field 88, Collateral Market Value*, to "identify and fix any bad/erroneous market prices/FX rates in their own systems before they are used to calculate an updated market value to be reported to a trade repository". This means that firms would have to recalibrate internal valuations made for the purpose of firm-wide risk management to match those agreed with counterparties for the purpose of reporting *Collateral Market Value*. However, different parties will frequently use different price sources, collect prices at different times and apply different validation procedures. Many prices are also subject to considerable uncertainty because of market illiquidity, in which case, prices will tend to differ because of information asymmetries and differing expectations. Consequently, the prices used for risk management will often differ between parties. These are legitimate differences and not an indication that either party is using incorrect prices, as prices should have been rigorously validated by independent risk functions. Suggesting that parties should replace prices that they have been carefully validated by independent risk functions with consensus numbers that have been agreed with other parties at a portfolio level merely to ensure a match for reporting purposes would undermine prudent risk management. It is therefore recommended that parties do not "correct" prices in their internal risk management systems to match reconciled prices used in reporting. Where parties disagree on the *Collateral Market Value* of a security, it would be prudent to check the validation of their own price but, assuming this is correct, they should agree a realistic consensus price for the purpose of reporting.

It is also recommended that, for field 2.87 in collateral update reports, the parties look first to the market prices that they have used to revalue collateral securities for the purpose of calculating the transaction exposures in individual repos, their overall net exposure to another party and the consequent variation margins. These are typically taken at close of business on the working day before the calculation, both for repo and securities lending, but could be same-day prices, for example, where margin is being called in response to exceptional movements in prices or could be older prices in the case of illiquid securities or where there are significant time zone differences.

The prices used to revalue collateral securities for the purpose of calculating exposures and variation margins are likely to be the easiest to reconcile since variation margining requires consensus between the parties on the net exposure.

This recommendation is consistent with the ESMA requirements that, "counterparties should report the market value of SFTs using the market prices FX rates that those counterparties have used during the course of that working day for exposure management purposes" and "when reporting under SFTR, counterparties should use the value they use for collateral management and exposure management purposes" (final Guidelines of January 2020, p.34, paras.132 and 134, respectively).[64]

However, it should be noted that the prices used to calculate exposures and variation margins can still diverge between parties because, except for most tri-party repos and structured repos margined individually, variation margin is usually calculated for a portfolio of repos, so price differences could net to zero or close to zero across a portfolio, in which case, the parties will be unaware that there are any differences.

Recommendation 1: The *Price Per Unit* of fixed-income securities should be the dirty market price expressed as a percentage of the nominal value and should exclude any haircut.

Recommendation 2: In collateral update reports, where parties disagree about the *Price Per Unit* of a collateral security, they should try to agree a price for the purpose of reporting, for which, they should look first at the market prices that they have used to revalue collateral securities for the purpose of calculating the transaction exposures in individual repos, their overall net exposure to another party and the consequent variation margins. Parties should not "correct" prices in their internal risk management systems to match agreed prices used in reporting.

[64] ESMA's Final Report of January 2020 dismisses industry concerns over the reconciliation of collateral price and value fields. It believes the industry has ample time to change systems and procedures to align with the requirement, given that matching of these fields in January 2023 (p.50, para.276) and sees the "necessary cost" of SFTR (p.50, para.272).

6.8 How should haircuts or initial margins on non-CCP repos be calculated (field 2.89)?

The SFTR RTS on transaction reporting requires the reporting of "haircut or margin" in:

- *Table 2, field 89, Haircut or Margin*

By "margin", ESMA appears to mean an initial margin but not in the sense that this term is used by *CCPs*. An initial margin in the bilaterally-cleared repo market is the ratio, expressed as a percentage, of:

- *Table 2, field 88, Collateral Market Value*
- *Table 2, field 37, Principal Amount on Value Date*

For example, a repo with a purchase price of 100 and an initial market value of collateral of 102, would have an initial margin of 102/100 * 100 = 102%. But a repo with a purchase price of 100 and an initial market value of collateral of 100 --- that is, no initial margin --- would have an initial margin of 100/100 * 100 = 100%. See the concept of Margin Ratio in the GMRA 2000 and the concept of Transaction Exposure Method A in the GMRA 2011.

A haircut is a percentage discount of the purchase price of a repo relative to the initial market value of the collateral, which is the difference between:

- *Table 2, field 37, Principal Amount on Value Date*
- *Table 2, field 88, Collateral Market Value*

with that difference expressed as a percentage of the *Principal Amount on Value Date*.

For example, a repo with a purchase price of 100 and an initial market value of collateral of 102, would have a haircut of (102-100)/102 * 100 = 1.9608%. But a repo with a purchase price of 100 and an initial market value of collateral of 100 --- that this no haircut --- would have a haircut of (100-100)/100 * 100 = 0%. See the concept of Transaction Exposure method B in the GMRA 2011.

ESMA's Validation Rules define field 2.89 as a haircut: "For repos and buy-sell backs: collateral haircut, a risk control measure applied to underlying collateral at ISIN level whereby the value of that underlying collateral is calculated as the market value of the assets reduced by a certain percentage."

However, many market participants use initial margin rather than haircut in defining their repos. The GMRA 2000, which is still the most widely-used version of that agreement, only makes provision for initial margin. In order to avoid mismatches between reports to the trade repository (as this field is a matching field), parties using initial margin need to convert this number into a haircut. The relationship between the two fields is given by the following formula:

$$\%\ \text{haircut [field 89]} = \left(1 - \frac{\text{field 37}}{\text{field 37} \times \frac{\%\ \text{initial margin}}{100}}\right) \times 100$$

For example, a repo with a purchase price of 100 and an initial market value of collateral of 102 would have an initial margin of 102/100 * 100 = 102%. The equivalent haircut would be:

$$\left(1 - \frac{100}{100 \times \frac{102}{100}}\right) \times 100 = 1.9608\%$$

Haircuts are usually in favour of the buyer in a repo but, in exceptional cases, can be in favour of the seller. In the latter case, the haircut, as calculated, would be negative. The Validation Rules allow negative numbers in field 2.89. Note that the Validation Rules require the same arithmetic sign to be reported by both parties. Thus, if the collateral is valued at 102 and the cash at 100, both parties report a haircut of (+)1.9608%. On the other hand, if the collateral is valued at 100 and the cash at 102, both parties report a haircut of -2.0%.

If a haircut is renegotiated during the term of a repo, this change should be reported in the end-of-day collateral update report (*Table 2, field 98, Action Type* = COLU), not as a modification (*Table 2, field 98, Action Type* = MODI).

If a haircut or initial margin is agreed on collateral securities provided as variation margin, the haircut or haircut equivalent should be reported in the collateral update report (*Table 2, field 98, Action Type* = COLU) for the variation margin. Note that the GMRA 2011 only envisages a haircut and not an initial margin on margin securities (GMRA 2011, para.2(cc)).

Note that field 2.89 has to be filled in the case of cash variation margin whether or not any haircut has been applied (see recommendation 9.3).

Recommendation: Field 2.89 (*Haircut or Margin*) should be reported as a haircut, not as an initial margin.

6.9 How should pledged initial margins linked to repos be reported?

A proposal has been made to the ICMA to adapt the special initial margin mechanism developed by the Basel Committee on Banking Supervision (BCBS) for OTC derivatives not cleared across a *CCP* for use with repos where initial margins or haircuts are given to parties with high risk weights. This would eliminate the unsecured exposure represented by initial margins and haircuts. A set of legal agreements may be produced in the near future. This arrangement will apply only to repos not cleared by a *CCP*.

Where all collateral is provided by means of title transfer, initial margin is an integral part of the collateral allocated to a specific repo. However, where initial margin would be pledged under its own legal agreement, separate from the master repurchase agreement governing the repo itself, it is not a repo as defined in SFTR as it is not in itself a loan and should not be reported. Nor could the initial margin be reported as an uncollateralized securities loan, given that the securities being pledged are not loaned securities but collateral. Accordingly, a pledged initial margin is not subject to the requirement in ESMA's final Guidelines and Final Report of January 2020 to report "repos" which are in fact secured loans collateralized by pledges (p.11, para.23; p.11, para.9).

Recommendation: Where the initial margin on a repo is pledged under its own legal agreement, separate from the master repurchase agreement governing the repo itself, that initial margin is not an SFT as defined in SFTR and should not be reported.

6.10 What is reported for the LEI of the Issuer of collateral if the issuer does not have an LEI (field 2.93)?

Table 2, field 93, LEI of the Issuer, is mandatory for new reports (*Table 2, field 98, Action Type* = NEWT) if:

- *Table 2, field 75, Type of Collateral Component* = SECU and
- *Table 2, field 96, Collateral Basket Identifier* ≠ NTAV

However, it is recommended that, if an *LEI* is not available from the Global LEI Foundation (GLEIF), parties should not consider themselves obliged to search any further. This means that the report will be rejected by the trade repository, as the field is conditionally mandatory and matchable, but the rejection will not be the fault of the reporting party. In order to demonstrate this fact to the regulator, the lack of an LEI on the GLEIF database should be documented.

In the case of securities issued outside the EEA, ESMA has waived the requirement to report field 2.93 for 12 months from 11 April 2020 until 13 April 2021 (ESMA74-362-388 of 6 January 2020 and Validation Rules).

Recommendation: If the *LEI of the Issuer* of collateral cannot be found on the GLEIF database, reporting parties should not search further but should document the fact.

6.11 Identifying the Jurisdiction of the Issuer of collateral (field 2.92)

Reporting parties are required to report the jurisdiction (legal domicile) of the issuer of each security being given as collateral using the relevant ISO country. If the issuer is a subsidiary of another legal entity, field 2.92 should be the jurisdiction of the ultimate parent. The ultimate parent can be identified in the Level 2 data of the issuer's LEI.

For example, the issuer of the security with ISIN XS1206541366 is Volkswagen International Finance NV based in the Netherlands, which is a subsidiary of Volkswagen AG, which is based in Germany. The Level 1 LEI reference data for this security gives the country code NL (Netherlands). But the Level 2 data gives DE (Germany) and DE is what should be reported in field 2.92.

However, if the jurisdiction of the ultimate parent is not known, the RTS on transaction reporting allows the jurisdiction of the subsidiary to be reported (see Annex I, p.17).

In the case of depository receipts, the *Jurisdiction of the Issuer* is that of the underlying security.

In the case of securities issued by the EU on behalf of itself or Euratom or by EU bodies such as the European Financial Stability Fund (EFSF) or European Stability Mechanism (ESM), it is not possible to use the code EU as this is not a country code as required for field 2.92 by the RTS on transaction reporting. Until that is made possible, it is recommended that EU securities are reported with country code BE for Belgium but that EFSF and ESM securities are reported with country code LU for Luxembourg, which is where those bodies are incorporated.

Recommendation 1: Each party should draw on Level 2 LEI data to establish the jurisdiction of the ultimate parent of a subsidiary which is the issuer of a security being used as collateral and include this data in their static database, which should be governed by policies and managed by procedures that ensure the data is kept up to date.

Recommendation 2: Until the EU code is enabled for field 2.92, EU securities should be reported with country code BE but EFSF and ESM securities should be reported with country code LU.

6.12 Classification of Securities Used as Collateral (field 2.79)

Reporting parties are required to classify and report collateral given or received in repos using the six-letter ISO Classification of Financial Instruments (CFI) code (ISO 10692). For example, DBFTFB is the classification for debt (D) in the form of a bond (B) paying fixed income (F) and issued by a government (T) for a fixed maturity (F) in bearer form (B).

All six letters of a CFI code have to be reported. Only where an attribute does not exist can it be represented by an "X".

ESMA's Final Report of January 2020 confirmed that all six letters of the CFI code will be matched by the trade repository (notwithstanding that ESMA's Validation Rules state only that, "at least the first 2 characters of the CFI Code and the character representing asset class (if applicable for a given instrument) shall be provided…)..

ESMA also mandated in its draft Guidelines of May 2019 that CFI codes must be taken from "official" sources. In its final Guidelines and Final Report of January 2020 (para.141), ESMA has clarified that the appropriate official source for CFI codes is the relevant National Numbering Agency (in practice, this means the Lookup Service of the Association of National Numbering Agencies (ANNA) Service Bureau). It also stated that, if a CFI code is not available from ANNA, parties should make a request to their National Numbering Agency for a code. But it also advises that, "If the CFI does not exist in the official sources, then it should be agreed between the counterparties, as the CFI is a reconcilable field" (p.35, paras.141-142; p.52, para.297). On this basis, it is recommended that, where a CFI code is not available from ANNA, parties should synthesize and agree the code, perhaps including it in confirmations exchanged with their counterparties but should also make a request to the relevant National Numbering Agency for a code to be allocated.

It has been noted that some CFI codes on the ANNA database do not conform to ISO 10962. In this case, it is recommended that parties use the codes on the ANNA database.

Once officially sourced, CFI codes should be recorded in each party's static database.

Recommendation: CFI codes should be sourced from ANNA (even if that code does not conform to the ISO standard). If a CFI code is not available from ANNA, the parties should request a code from the relevant National Numbering Agency and, pending a response, try to synthesize and agree the code. When having to synthesize and agree a code, parties should consider, if practicable, including this field in their confirmations in order to ensure matching.

6.13 How should the Collateral Quality of security collateral be determined (field 2.90)?

ESMA's draft Guidelines of May 2019 require that:

- Parties should rely on their internal assessment of the credit quality of collateral. This assessment can take account of but should not place "mechanistic reliance" on external credit ratings.
- As part of the process of agreeing the credit quality of collateral, the parties should reconcile their internal assessments with each other in order to agree the classification of the collateral. To do this, they should use the six credit quality steps employed to map the ratings provided by External Credit Assessment Institutions under the EU Capital Requirements Regulation (575/2013).
- In the case of lack of agreement, the parties should use the lowest rating proposed.
- *Table 2, field 90, Collateral Quality* = NOTR only for securities that could be rated in theory but have not been rated in practice (at least for the moment).
- *Table 2, field 90, Collateral Quality* = NOAP (not available) always for the following classes of assets given that these assets cannot be rated in terms of default risk:
  - main index equities, for which *Table 2, field 94, Collateral Type* = MEQU
  - securities for which *Table 2, field 94, Collateral Type* = OEQU[54]
- *Table 2, field 90, Collateral Quality* = NOAP for a type of asset which is classified as *Table 2, field 94, Collateral Type* = OTHR where ratings are not provided for this type of asset by rating agencies.[65]

ESMA's requirements pose serious issues for reporting parties and are not, in their current form, practicable as parties may properly have different credit assessments of the same security.

Concerns have also been expressed about having to reveal confidential risk assessments to other parties. In its final Guidelines and Final Report of January 2020, ESMA acknowledged that some parties might be prevented from sharing "security quality information", in which case, the parties should report "the value that best reflects their internal assessment" (p.99, para.281; p.69, para,434).

[65] See ESMA's Guidelines of January 2020, p.89, para.278. This says, "The value "NOAP" should be used for the following collateral types (Field 2.94): Main index equities (MEQU), Other equities (OEQU), and Other assets (OTHR) for which credit ratings within the meaning of the Regulation (EG) No 1060/2009 (CRAR) are not applicable. The value "NOTR" should only be used for instruments that can be rated but do not have a credit rating". Equities can have credit ratings but ESMA's intention appears to be that all equities will be reported with field 2.90 = NOAP but any asset classified as OTHR would only be reported with field 2.90 = NOAP where credit rating agencies do not provide ratings for the type of asset.

6.14 Classifying Collateral Type (field 2.94)

Reporting parties are required to classify and report collateral given or received in repos using the eight-category taxonomy issued by the FSB in its *Securities Financing Global Data Standards*.

- GOVS government securities
- SUNS supra-nationals & agencies securities
- FIDE debt securities (including covered bonds) issued by banks & other financials
- NFID corporate debt securities (including covered bonds) issued by non-financials
- SEPR securitized products (including CDO, CMBS, ABCP)
- MEQU main index equities (including convertible bonds)
- OEQU other equities (including convertible bonds)
- OTHR other assets (including shares in mutual funds)

Most of the categories in the taxonomy have not been detailed fully if at all. The FSB established a Data Management subgroup under its Data Experts Group to work on, among other things, "identification of the codes for classification; development of the detailed guidelines and definitions" with the aim of producing "implementation guidelines" but these have yet to appear.

To categorize a security for the purpose of reporting *Table 2, field 94, Collateral Type*, the following schedule of criteria should be used sequentially.[66] In other words, securities should be checked first against the criteria for the first category (GOVS) and, if that is not an appropriate category, they should then be checked against the criteria for the second category (SUNS) and so on down the list. If none of the first seven categories is appropriate, the security should be categorized as field 2.94 = OTHR.

Field 2.94 should be reported as consistently as possible with *Table 2, field 79, Classification of a Security Used as Collateral*, which is a six-letter CFI code. It should be noted that some CFI codes in official sources appear not to be correct but as they are from an official source, they have to be accepted.

1 GOVS (government securities)

- All these securities will be debt securities, so should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which the Category (first letter) must be D for debt.
- The FSB definition of government securities (see footnote 19 on page 9 of *SFT Global Data Standards*) is "claims on sovereigns under the Basel III Standardised Approach" (but note that parties can diverge from this method of categorization and reach an agreement between themselves).[67] The Basel III Standardised Approach expressly includes claims on:
  - **central governments**
  - **central banks**

[66] This schedule is based on work conducted by the Association of German Public Banks (Bundesverband Oeffentlicher Banken Deutschlands, VOEB) in association with WM Datenservice.

[67] See ESMA's Guidelines of January 2020, p.123, para.343.

- certain **non-central government public sector entities** (PSEs) identified as sovereigns under the Standardised Approach
- **multilateral development banks** (MDBs) that meet the criteria for a 0% risk-weight under the Standardised Approach, currently:
  - World Bank Group comprised of the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Development Association (IDA)
  - Asian Development Bank (AsDB)
  - African Development Bank (AfDB)
  - European Bank for Reconstruction and Development (EBRD)
  - Inter-American Development Bank (IADB)
  - European Investment Bank (EIB)
  - European Investment Fund
  - Nordic Investment Bank
  - Caribbean Development Bank
  - Islamic Development Bank
  - Council of Europe Development Bank
  - International Finance Facility for Immunization
  - Asian Infrastructure Investment Bank
- **Bank for International Settlements** (BIS)
- **International Monetary Fund** (IMF)
- **European Central Bank** (ECB)
- **European Union** (EU) which includes **European Atomic Energy Community** (Euratom)

- The Basel paper on *Calculation of RWA for Credit Risk --- Standardized Approach: Individual Exposures (CRE20)*, which is due to take effect in 2022, adds the following institutions to the list of sovereign-equivalent international financial institutions :
  - **European Stability Mechanism** (ESM)
  - **European Financial Stability Facility** (EFSF)
- **Regional governments and local authorities** are treated as public sector enterprises (PSEs) under the Basel III Standardised Approach but can be included as issuers of government securities if they have "specific revenue raising powers and have specific institutional arrangements the effect of which is to reduce their risks of default".[68] The European Banking Authority (EBA) publishes a list of EU regional government and local authorities that meet these criteria.[69] The treatment of PSEs should also be known by parties for the calculation of their regulatory capital ratios. Otherwise, parties will have to be check with their NCA.
- **Administrative bodies** responsible to central governments, regional governments or to local authorities and other non-commercial undertakings owned by the governments or local authorities will only be treated as sovereign if the entities have revenue-raising powers or other arrangements to reduce their risks of default or "if strict lending rules apply to these entities and a declaration of bankruptcy is not possible because of their special public status".

[68] See footnote 7 on page 8 of *Calculation of RWA for Credit Risk* (CRE20, 1 January 2019).

[69] https://eba.europa.eu/supervisory-convergence/supervisory-disclosure/rules-and-guidance and https://eba.europa.eu/eba-updates-list-of-public-sector-entities-for-the-calculation-of-capital-requiremen-3.

The treatment of administrative bodies should be known by parties for the calculation of their regulatory capital ratios. Otherwise, parties will have to be check with their NCA.

- **Commercial undertakings** owned by central governments, regional governments or by local authorities will probably be treated as normal commercial enterprises. In particular, if these entities function as a corporate in competitive markets even though the state, a regional authority or a local authority is the major shareholder of these entities, Basel guidance is that supervisors should decide to consider them as corporates. The European Banking Authority (EBA) publishes a list of EU public sector enterprises that meet these criteria.[70] The treatment of publicly-owned commercial undertakings should also be known by parties for the calculation of their regulatory capital ratios. Otherwise, parties will have to be check with their NCA.
- Securities issued by entities with the NACE classification "central banking" (Class 64.11) under Section K (Financial and Insurance Activities).
- Securities issued by entities with the NACE classification "general public administration activities" (Class 84.11) under Section O (Public Administration and Defence) does not necessarily indicate a sovereign entity. This depends on the revenue-raising and institutional default-reduction arrangements of the entity as discussed above.
- Definitions in Article 4(1)(60)-(61) of MiFID II (2014/65/EU) of "sovereign issuer" and "sovereign debt". The former includes:
  - [European] Union;
  - Member State, including a government department, an agency, or a special purpose vehicle of the Member State;
  - in the case of a federal Member State, a member of the federation;
  - a special purpose vehicle for several Member States;
  - an international financial institution established by two or more Member States which has the purpose of mobilising funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems;
  - European Investment Bank (EIB).
- Securities should be categorized as GOVS where their issuers, if they were parties to a repo, would be reported in *Table 1, field 4, Nature of Reporting Counterparty* as N for non-financial entity and *Table 1, field 5, Sector of Reporting Counterparty* = K (financial and insurance activities) with the class of activity being 64.11 for central banking.
- GOVS should include unsecuritized money market instruments (eg treasury bills and central bank bills) where the issuer's other securities would be classified as GOVS.

Using Collateral Type to determine CFI codes where these have to be synthesized

ESMA's guidance says that, "If the CFI does not exist in the official sources, then it should be agreed between the counterparties (see recommendation 6.12). In this case, fixed-income securities reported as GOVS in field 2.94, should be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which:

- Category (first letter) should usually be D for debt (exceptions would be rare and could include equity issued by central banks, eg SNB);

[70] https://eba.europa.eu/supervisory-convergence/supervisory-disclosure/rules-and-guidance and https://eba.europa.eu/eba-updates-list-of-public-sector-entities-for-the-calculation-of-capital-requiremen-3.

- Second Attribute (fourth letter) may be T for government/state guarantee, unless the issuer is an MDB or an international financial institution in the list above, in which case, the Second Attribute should be C for supranational.

2 SUNS (supranational and agency securities)

- All these securities will be debt securities, so should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter code in which the Category (first letter) must be D for debt.
- The FSB defines a sub-set of this category in the form of "**agency-sponsored securitisation** where the securities benefit from an explicit agency guarantee". This would appear to refer to the government-sponsored enterprises in the US (eg FNMA). There does not appear to a European equivalent.
- Other securities in this category would include those issued by **supranationals** not listed under GOVS, which should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which the Category must be D and the Second Attribute can be C for supranational.
- A list of EU-based agencies compiled by WM Datenservice includes:
  - Agence Française de Développement
  - Caisse d'Amortissement de la Dette Sociale (CADES)
  - Caisse des Depots et Consignations
  - F.T.A. Déficit del Sistema Eléctrico
  - Instituto de Credito Oficial
  - *Landwirtschaftliche Rentenbank*
  - NRW.Bank,
  - Union Nationale Interprofessionnelle pour l'Emploi dans l'Industrie et le Commerce (UNEDIC)
- SUNS should include unsecuritized money market instruments where the issuer's other securities would be classified as SUNS.

<u>Using Collateral Type to determine CFI codes where these have to be synthesized</u>

ESMA's guidance says that, "If the CFI does not exist in the official sources, then it should be agreed between the counterparties (see recommendation 6.12). In this case, fixed-income securities reported as SUNS in field 2.94, should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which:

- Category should be D for debt;
- Group (second letter) could be G for MBS and A for ABS if the securities benefit from an explicit agency guarantee.
- Group should not be N for municipal bonds.
- Second Attribute (fourth letter) can be T for government/state guarantee, unless it is an MDB or an international financial institution that is <u>not</u> categorized under GOVS, in which case, the Second Attribute would be C for supranational.

3 FIDE (debt securities (including covered bonds) issued by banks and other financial institutions)

- All these securities will be debt securities, so should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which the Category (first letter) must D for debt. The Group (second letter) cannot be A for ABS or G for MBS or Y for money market instruments where these instruments are securitized issues (which should be categorized as SEPR).
- Securities issued by financial institutions and guaranteed by central government.
- Securities including covered bonds, but not other securitized issues or those categorized as GOVS or SUNS, would be categorized as FIDE where their issuers, if they were parties to a repo, would be reported in *Table 1, field 4, Nature of Reporting Counterparty* as:
  - F for financial entity;
  - N for non-financial entity, where *Table 1, field 5, Sector of Reporting Counterparty* = NACE category K (financial and insurance activities) except for NACE class 64.11 for central banking;
  - N for non-financial entity, where *Table 1, field 5, Sector of Reporting Counterparty* = NACE category L (real estate activities) and *Table 1, field 6, Additional Sector Classification* = REIT.
- FSB recommends the inclusion of public national development banks but not central banks nor multilateral development banks with a 0% risk-weight under the Basel III Standardised Approach (which are GOVS and are listed in that section above). This would include the following European agencies (proposed by WM Datenservice as SUNS):
  - BNG Bank N.V.
  - BPIFrance Financement SA
  - Cassa Depositi e Prestiti
  - Kreditanstalt für Wideraufbau (KfW)
- Under the terms of the Basel III Standardised Approach cited in the first section, financial institutions should include "administrative bodies responsible to central governments, regional governments or local authorities", depending on their activities, if those entities do not have revenue-raising powers or other arrangements to reduce their risks of default or do not have strict lending rules and are at risk of bankruptcy. The treatment of such bodies should be known by parties for the calculation of their regulatory capital ratios. Otherwise, parties will have to be check with their NCA.
- FIDE should include unsecuritized money market instruments where the issuer's other securities would be classified as FIDE.
- FIDE should include depository receipts for debt other than securitised debt where the issuer's other securities would be classified as FIDE.

Using Collateral Type to determine CFI codes where these have to be synthesized

ESMA's guidance says that, "If the CFI does not exist in the official sources, then it should be agreed between the counterparties (see recommendation 6.12). In this case, fixed-income securities reported as FIDE in field 2.94, should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which:

- Category (first letter) must be D for debt;

- if guaranteed by a national or regional government, the Second Attribute (fourth letter) should be T for government/state guarantee;
- Second Attribute (fourth letter) should not be C for supranational;
- Third Attribute (fifth letter) should not be S for secured debt, N for municipal, A for ABS or G for MBS.

4 NFID (corporate debt securities (including covered bonds) issued by non-financial institutions)

- All these securities will be debt securities, so should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which the Category (first letter) must be D for debt.
- Securities including covered bonds, but not other securitized issues or those categorized as GOVS or SUNS, would be categorized as NFID where their issuers, if they were parties to a repo, would be reported in *Table 1, field 4, Nature of Reporting Counterparty* = N for non-financial entity but not where *Table 1, field 5, Sector of Reporting Counterparty* is:
  - NACE category K (financial and insurance activities); nor
  - NACE category L (real estate activities) and *Table 1, field 6, Additional Sector Classification* = REIT.
- Under the terms of the Basel III Standardised Approach cited in the first section, non-financial institutions may also include "administrative bodies responsible to central governments, regional governments or local authorities", depending on their activities, if those entities do not have revenue-raising powers or other arrangements to reduce their risks of default or do not have strict lending rules and are at risk of bankruptcy. The treatment of such bodies should be known by parties for the calculation of their regulatory capital ratios. Otherwise, parties will have to be check with their NCA.
- NFID should include unsecuritized money market instruments where the issuer's other securities would be classified as NFID.
- NFID should include depository receipts for debt other than securitized debt where the issuer's other securities would be classified as NFID.

Using Collateral Type to determine CFI codes where these have to be synthesized

- ESMA's guidance says that, "If the CFI does not exist in the official sources, then it should be agreed between the counterparties (see recommendation 6.12). In this case, fixed-income securities reported as NFID in field 2.94, should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code following the same rules as for securities reported as FIDE.
- Third Attribute (fifth letter) should not be S for secured debt, N for municipal, A for ABS or G for MBS.

5 SEPR (securitised products)

- All these securities will be debt securities, so should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which the Category (first letter) must be D for debt.
- Any security from any issuer that pays a return which is derived from other assets and/or for which repayment is guaranteed by other assets under a private law contract. This excludes agency-sponsored securitizations with an explicit agency guarantee (which are SUNS) and covered bonds (which are FIDE or NFID) but includes MBA and ABS.
- Asset-backed commercial paper (ABCP) and other securitized money market instruments.

In the case of a sukuk security, as the return derives from an asset purchased with the proceeds of issuance, it is recommended that they be reported as SEPR.

Using Collateral Type to determine CFI codes where these have to be synthesized

ESMA's guidance says that, "If the CFI does not exist in the official sources, then it should be agreed between the counterparties (see recommendation 6.12). In this case, fixed-income securities reported as SEPR should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which:

- Category (first letter) should be D for debt
- Group (second letter) should be:
  - Y for money market instruments where these are securities and are secured (ABCP); or
  - G for MBS; or
  - A for ABS;[71] or
- Second Attribute (fourth letter) should be S for secured.

6 MEQU (main index equities including convertible bonds)

- All these securities will be equities or convertible bonds, so should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which the Category (first letter) should be E for equity or D for convertible bonds.
- Any equities listed in Annex I, Tables 1 & 2, of the ITS on Main Indexes and Recognized Exchanges under the Capital Requirements Regulation (575/2013) (see ESMA draft Guidelines, p.131, para.344).
- In its final Guidelines of January 2020, ESMA requires that parties should report equities as MEQU where these are considered as such pursuant to Commission Implementing Regulation 2016/1646. This states that "Regulation (EU) No 575/2013 states that equities or convertible bonds included in a main index may be used by institutions as eligible collateral. One of the eligibility criteria for collateral is that it should be sufficiently liquid. To be considered as main indices for the purposes of that Regulation, equity indices should therefore mainly consist of equities that can reasonably be expected to be realisable when an institution needs to liquidate them. This should be the case when at least 90 % of the components of an index

[71] ABS and MBS were expressly included in this category by ESMA's draft Guidelines of May 2019.

have a free float of at least EUR 500,000,000 or, in the absence of information about free float, a market capitalisation of at least EUR 1,000,000,000" (see p.100, para.288).
- MEQU should include depository receipts where the issuer's other securities would be classified as MEQU.

Using Collateral Type to determine CFI codes where these have to be synthesized

ESMA's guidance says that, "If the CFI does not exist in the official sources, then it should be agreed between the counterparties (see recommendation 6.12). In this case, MEQU securities should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which Category (first letter) should be E for equities or D for convertible bonds.

7 OEQU (other assets (including shares in mutual funds), excluding cash)

- All these securities will be equities, so should also be reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which the Category (first letter) should be E for equities or D for convertible bonds.
- Any equity and convertible bonds not included in MEQU.
- OEQU should include depository receipts where the issuer's other securities would be classified as OEQU.

Using Collateral Type to determine CFI codes where these have to be synthesized

ESMA's guidance says that, "If the CFI does not exist in the official sources, then it should be agreed between the counterparties (see recommendation 6.12). In this case, OEQU securities are also reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which the Category (first letter) should be E for equities or D for convertible bonds.

8 OTHR

- Any security not fitting any of the previous categories.
- Collective investment schemes such as money market funds including UCITS and ETFs.

Using Collateral Type to determine CFI codes where these have to be synthesized

ESMA's guidance says that, "If the CFI does not exist in the official sources, then it should be agreed between the counterparties (see recommendation 6.12). In this case, OTHR securities include debt reported in *Table 2, field 79, Classification of a Security Used as Collateral*, with a six-letter CFI code in which the Category (first letter) can be C for Collective Investment Vehicles or M for Other.

Summary

The following table cross references field 2.94 to fields 1.4-1.6 and 2.79 and other categorizations.

Given the use by FSB of Basel III as a template for classifying *Collateral Type*, parties may be able to draw on their own RWA calculations to help their own classification for SFTR.

Parties should consider including the *Collateral Type* of each security they are giving as collateral in confirmations exchanged with their counterparties, as this is a matching field.

Recommendation: Parties should consider, if practicable, including *Collateral Type* in their confirmations in order to ensure matching.

		GOVS	SUNS	FIDE		NFID		SEPR	MEQU	OEQU	OTHR
CFI Code (field 2.79)	Category	D only	D only	D only		D only		D only	E; D for convertibles		D or C or M; not E
	Group	unsecuritized Y;	G or A for supras & agencies; unsecuritized Y; not N	unsecuritized Y; not A or G;		N; unsecuritized Y; not A or G;		D, G or A but not for supras & agencies; unsecuritized Y			M
	2nd Attributes	incl.some C	incl.some C	could be T; not C		not C		S			
MiFID		Art.4(1)(60)									
Basel III SA		CRE20	CRE20								
CRR									ITS on Market Indexes & Recognized Exchanges		
SFTR	field 1.4	N	N	F	N	N					
	field 1.5	K	K		L	not K	L				
	field 1.6				REIT		not REIT				
FSB			incl. agency securitizations	national development banks							
NACE		6411	6492								
ESMA								ABS or MBS	Reg.2016/1646		

6.15 How should Availability for Collateral Reuse be determined (field 2.95)?

6.15.1 General rule

For repo, the *Table 2, field 95, Availability for Collateral Reuse,* should generally be true, as a repo is a sale and repurchase of collateral. A sale means that the buyer is given absolute legal title to an asset and therefore automatically has the right to use that asset as he wishes.

However, some markets mistakenly use the term "repo" to describe secured loans. The most significant of these pseudo-repo markets is the so-called "pledged repo" market in China. Despite the fact that these types of transaction are not true repos, ESMA has decided that "where the collateral of repo is taking a different form of transfer, which is still part of the collateral arrangements that are defined under the [Financial] Collateral Directive, the counterparties should still report it as repo" (final Guidelines of January 2020, p11, para.23 and Final Report of January 2020 p.11, para.9). ESMA seems to have mistakenly assumed that secured loans under the Financial Collateral Directive are repos. Furthermore, ESMA requires pseudo-repos outside the EEA, that do not benefit from the special provisions of the Financial Collateral Directive, to also be reported as repos ("repos concluded under rules of other jurisdictions…should be reported accordingly and by providing complete and accurate details in accordance with the TS on reporting").[72] Note that ESMA applies this mis-classification only to repurchase transactions (*Table 2, field 4, Type of SFT* = REPO), as they recognize that buy/sell-backs (*Table 2, field 4, Type of SFT* = SBSC) are only collateralized by title transfer. Until ESMA can be persuaded to correct its misunderstanding of repos, parties will have to report secured loans that are called repos but:

- where there is no right of re-hypothecation of the pledged collateral:
  - *Table 2, field 4, Type of SFT* = REPO
  - *Table 2, field 20, Method Used to Provide Collateral* = SICA
  - *Table 2, field 95, Availability for Collateral Re-Use* = FALSE
- where there is a right of re-hypothecation of the pledged collateral:
  - *Table 2, field 4, Type of SFT* = REPO
  - *Table 2, field 20, Method Used to Provide Collateral* = SIUR
  - *Table 2, field 95, Availability for Collateral Re-Use* = TRUE

Parties therefore need to ensure they understand the legal character of the "repos" they transact both inside and outside the EEA.

Availability for Collateral Reuse should generally be reported as true where *Table 2, field 20, Method Used to Provide Collateral* = TTCA (title transfer collateral arrangement) and, in the case of pseudo-repos, where *Table 2, field 20, Method Used to Provide Collateral* = SIUR (security interest with right of re-hypothecation) . Any repo governed by the ICMA's Global Master Repurchase Agreement (GMRA) is a title transfer instrument. This fact will not be changed by any annex or appendix, nor by supplementary tri-party service agreements.

[72] In this phrase, ESMA refers specifically to Japanese Gentan repo. However, Gentan repos are not secured loans, but true repos, albeit documented under a securities lending agreement.

6.15.2 Exceptions

Generally, *Availability for Collateral Reuse (*field 2.95) and *Method Used to Provide Collateral* (field 2.20) can be inferred from *Table 2, field 9, Master Agreement Type*. As noted already, if this is a GMRA (or other European master repurchase agreement), the repo will be based on transfer of legal title and so collateral will automatically be available for reuse. Of the other master repurchase agreements currently listed in ESMA's Validation Rules, all are based on title transfer except for CNBR (China National Bond Repurchase Master Agreement) --- although this agreement has been superseded.

Special attention needs to be paid to the following master agreement types, which are not master repurchase agreements:

- BIAG (bilateral agreement) --- the particular agreement needs to be analyzed by the contracting parties but is likely to be a bespoke securities interest-based collateral arrangement for margin lending;
- CSDA (CSD bilateral agreement) --- this needs to be analysed by the CSD counterparty but is typically for auto-borrowing, which means it will be a securities interest-based collateral arrangement;
- OTHR (other) --- the particular agreement chosen needs to be analyzed by the contracting parties.

The US MRA should be reported as *Method Used to Provide Collateral (field 2.20)* = TTCA and *Availability for Collateral Reuse* = TRUE, as it is intended to transfer title to collateral, albeit that it has a pledge "back-up security" provision.

Repos documented under the ISDA Master Agreement need to be analyzed to ensure they are true repos with purchase and repurchase legs. Synthetic repos under ISDA (or any other agreement) should not be reported under SFTR as they involve a derivative leg to the transaction.

Note that collateral received through tri-party repo is available for re-use, whether or not the buyer is a member of the tri-party agent's re-use facility, as the buyer would still legally be entitled to re-use the collateral given that title has been transferred, albeit that any attempt at re-use might lead to the withdrawal of tri-party management facilities.

ESMA's draft Guidelines of May 2019 state that, when completing *Availability for Collateral Reuse*, parties should ignore "operational/technical" constraints on re-use (pp.131-132, para.345). ESMA's final Guidelines of January 2020 added that regulatory constraints should also be ignored (pp.123-124, paras.346-347). This means that the fact that UCITSs are prohibited by the UCITS Directive from re-using collateral should be ignored for the purpose of field 2.95. Only contractual rights of use should be reported.

Recommendation 1: Secured loans called repos should be reported as repos in field 2.4 but fields 2.20 and 2.95 will depend on whether there is a right of re-hypothecation of the pledged collateral.

Recommendation 2: Legal advice should also be sought on bilateral agreements, including those with CSDs, and agreements not expressly listed in the ITS on transaction reporting.

Recommendation 3: Collateral received under a title transfer collateral arrangement such as the GMRA should be reported as available for re-use regardless of operational, technical or regulatory restrictions on re-use.

6.16 How should the Collateral Quantity or Nominal Amounts be reported for bonds quoted per "unit" (field 2.83)

Some fixed-income securities are quoted per "unit", which is a lot of a certain number of bonds of the same denomination (eg per 1,000 bonds, each of 100,000 currency units). The amount reported in *Table 2, field 83, Collateral Quantity or Nominal Value*, should be the product of the number of units, the number of bonds per unit and the denomination of each bond.

In the case of index-linked UK government securities, the redemption proceeds are linked to the inflation index and are therefore regularly changed. However, the UK Debt Management Office uses the term "nominal value" to describe the original redemption proceeds and not the current index-linked amount. In order to ensure that field 2.83 is always the product of the number of units, the number of bonds per unit and the denomination of each unit, it is recommended that field 2.83 for index-linked UK government securities should be the current index-linked redemption proceeds. This will mean that field 2.83 has to be updated after every application of a change in the index to the value of a security.

Recommendation 1: Where bonds are quoted per unit, field 2.83 should be the product of the number of units, the number of bonds per unit and the denomination of each unit.

Recommendation 2: In the case of index-linked UK government securities, field 2.83 should be taken to be the current index-linked redemption proceeds.

6.17 How should the direction of collateral be reported (field 1.9, 2.76 & 2.83)?

In all reports, parties should fill in *Table 1, field 9, Counterparty Side*, where this data field is included in the reporting template, and, if they are either a seller of collateral or a giver of variation margin, should also indicate the direction of flow of the collateral by applying a negative arithmetic sign to *Table 2, field 83, Collateral Quantity or Nominal Amount* (or to *Table 2, field 76, Cash Collateral Amount*, for cash variation margins and in the exceptional case of the temporary use of cash collateral).[73] Buyers and receivers of variation margin do not need to apply a positive sign to the above fields. Lack of a sign will be interpreted by the trade repository as positive. This recommendation supersedes ESMA's guidance in the Guidelines of January 2020 (p.138, para.374), which stated that arithmetic signs are "only applicable for COLU messages where (i) collateralisation is on a net exposure basis and (ii) there is no UTI reported for the collateral component(s). This reporting is not applicable to the allocations of collateral on a per transaction basis".

Trade repositories have amended their validation rules to be able to match negative quantities in fields 2.76 and 2.83 from one party with the same but positive quantities from the other party where both parties report to the same repository (intra-TR reconciliation). However, the matching of fields 2.76 and 2.83 with opposite arithmetic signs may not be possible where the reports being matched are made to different trade repositories (inter-TR reconciliation) or may not be possible until after the first go-live date. If inter-TR reconciliation is not possible, the consequent mismatches will have to be identified to the regulator as problems beyond the control of the reporting parties.

Recommendation: In all reports, the direction of the collateral transfer should be reported by filling in field 1.9, where included, and, where giving collateral or variation margin, applying a negative arithmetic sign to fields 2.83 or 2.76.

[73] The use of negative signs is allowed in fields 2.76, 2.83 and 2.87 (*Price Per Unit*) but not, under the ISO 20022 XML Schema, in 2.88.

[73] Unless and until 2.88 can also be negative, it is recommended that negative signs be applied only to:

- *Table 2, field 76, Cash Collateral* (for cash margin)
- *Table 2, field 83, Collateral Quantity or Nominal Amount* (for margin securities).

See recommendation 9.10.

6.18 What should be the Collateral Quantity or Nominal Amount of an amortized bond (field 2.83)?

Where a bond is used as collateral after it has been amortized one or more times, it is recommended that *Table 2, field 83, Collateral Quantity or Nominal Amount*, should be filled in with the latest nominal amount in order to ensure consistency with *Table 2, field 88, Collateral Market Value*.

Recommendation: Where a bond is used as collateral after it has been amortized one or more times, field 2.83 should be filled in with the latest nominal amount.

6.19 Collateral currency data fields (fields 2.85 to 2.88)

There are five collateral data fields that need to be reported consistently in terms of the currency of denomination:

- *Table 2, field 83, Collateral Quantity or Nominal Amount*
- *Table 2, field 85, Currency of Collateral Quantity or Nominal Amount*
- *Table 2, field 86, Price Currency*
- *Table 2, field 87, Price Per Unit* --- which can be expressed in currency units or as a percentage (dirty price or yield)
- *Table 2, field 88, Collateral Market Value*

If the securities being used as collateral are fixed-income, field 2.83 (*Collateral Quantity or Nominal Amount*) is the nominal amount of the securities, which is equal to the number of securities times the face value. This is the same value as the redemption proceeds (that is, the principal to be repaid at maturity). In this case, field 2.87 (*Price Per Unit*) will typically be the dirty price expressed as a percentage of the nominal amount (but could be the percentage yield-to-maturity).

If the securities being used as collateral are equities, then the number of securities is reported in field 2.83 (*Collateral Quantity or Nominal Amount*) and field 2.87 (*Price Per Unit*) should be the price per share expressed in the currency of quotation and the currency of payment for purchases and sales of the equities.

Whether the securities being used as collateral are fixed-income or equities, field 2.88 (*Collateral Market Value*) should be equal to the product of fields 2.83 (*Collateral Quantity or Nominal Amount*) and 2.87 (*Price Per Unit*) and should therefore be denominated in the same currency as field 2.85 (*Currency of Collateral Quantity or Nominal Amount*).

If field 2.87 (*Price Per Unit*) is expressed as a percentage (either as a percentage dirty price or percentage yield), then field 2.86 (*Price Currency*) should be left blank. If field 2.87 is expressed in currency units, then field 2.86 is that currency. Field 2.86 will usually be the same as field 2.85 (*Currency of Collateral Quantity or Nominal Amount*) but can very occasionally differ.

Fields 2.85 (*Currency of Collateral Quantity or Nominal Amount*) and 2.86 (*Price Currency*) are optional fields in ESMA's Validation Rules but they are also matching fields, which means that parties have to agree whether or not the fill them in. In fact, it is advisable that parties do fill in these fields, as the ISO schema requires that currencies to be identified for all the fields 2.83, 2.85, 2.86, 2.87 and 2.88. Fields 2.85 and 2.86 should also be filled in, despite being optional because, in response to the lack of a currency field in the technical standards to denominate field 2.88, the trade repositories have mapped field 2.88 (*Collateral Market Value*) to field 2.85 in the case of fixed-income securities and field 2.86 in the case of equities. It is therefore recommended that: If field 2.87 is expressed in currency units, field 2.86 should be reported, notwithstanding it is optional. Furthermore, fields 2.86, 2.87 and 2.88 should all be the same currency or expressed in terms of the same currency.

If field 2.87 is expressed as a percentage, field 2.85 should be reported, notwithstanding it is optional. Furthermore, fields 2.85, 2.86 and 2.88 should all be the same currency or expressed in terms of the same currency.

Recommendation 1: If field 2.87 is expressed in currency units, field 2.86 should be reported, notwithstanding it is optional. And fields 2.86, 2.87 and 2.88 should all be denominated in the same currency or expressed in terms of the same currency.

Recommendation 2: If field 2.87 is expressed as a percentage, field 2.85 should be reported, notwithstanding it is optional. And fields 2.85, 2.86 and 2.88 should all be denominated in the same currency or expressed in terms of the same currency.

6.20 If the ISIN or the LEI of the Issuer of one or some of the collateral securities in a basket of collateral is incorrect, should parties remove these fields from their collateral report in order to avoid a rejection by the trade repository (fields 2.78 and 2.93)?

SFTR requires parties to make complete, accurate and timely reports.

If a party is reporting a basket of collateral allocated to a transaction or portfolio of transactions but cannot fill in *Table 2, field 78, Identification of a Security Used as Collateral*, or *Table 2, field 93, LEI of the Issuer*, the whole report will be rejected by the trade repository no matter how small a proportion of the basket is constituted by the affected security or securities. In theory, a party faced with this problem has three options:

- not to send the report in order not to make an incomplete report but at the expense of failing to make a timely report (or any report at all);
- send the report without the ISIN or LEI, knowing that this report will be rejected by the trade repository, in order to demonstrate that timely reporting but at the expense of sending an incomplete report;
- remove from the report the security or securities for which the ISIN or LEI is missing in order to ensure that reporting is timely but, once again, at the expense of sending an incomplete report.

The choice of options should reflect the preference of the national competent authority or, in the absence of official guidance, each party's policy on which has a higher priority, timeliness or completeness. This policy should be recorded in order to demonstrate to the regulator that they have taken a rational and considered approach to a problem beyond their control.

It should be noted that a decision to opt for sending a report in the knowledge that it will be rejected will create a backlog of rejected reports, which may obstruct the efforts of parties to investigate and remediate reporting problems. Given that the problem that is caused by the inability to fill in field 2.78 and 2.93 cannot be resolved by reporting parties, it can be argued that the accumulation of reports rejected for this reason serves no useful purpose and indeed is undesirable because it undermines the quality of the data available to regulators on the composition and evolution of the market. Some parties have sought to balance these two problems by opting to exclude securities without an ISIN or issuer LEI from reports of collateral baskets where these securities are judged by the party to constitute an insignificant proportion of the value of a collateral basket. What constitutes an insignificant proportion is a matter for the party but, should such an approach be taken, the rationale and the basis on which quantitative judgements have been made should be clearly documented and the issue communicated to the national competent authority.

6.21 How should collateral in the form of bank loans be reported?

Bank loans (also called “credit claims”) are used as repo collateral. However, SFTR recognizes only three types of collateral:

- securities --- including “guaranteed rights relating to title to securities or commodities where that guarantee is issued by a recognised exchange which holds the rights to the securities or commodities” (see Article 3(8)-(9) of SFTR) --- with ISINs;
- cash;
- commodities, as defined in Article 2 of Commission Regulation (EC) No.1287/2006.

Bank loans are not cash, are not recognized as a commodity and most do not have ISINs. It is therefore currently not possible to report a repo collateralized with bank loans. ICMA is seeking guidance from ESMA.

Confirmation is also being sought from ESMA that, if repos collateralized with bank loans do not have to be reported under SFTR, then such repos transacted with members of the European System of Central Banks (ESCB) do not have to be reported under MiFIR, given that the accepted approach to reporting repos under MiFIR is to report the transfer of the financial instrument being used as collateral and not the repo, and that bank loans are not a financial instrument for the purposes of MiFID (see Annex I, section C).

6.22 The impact of pool factors and similar adjustments on the Collateral Quantity or Nominal Amounts (field 2.83)

Where the future payments of a fixed-income security are subject to an adjustment for the purpose of calculating the cash proceeds to be paid at settlement --- for example, a “pool factor” adjustment in the case of asset-backed securities (ABS) and mortgage-backed securities (MBS) or an “index factor” in the case of inflation-linked securities --- field 2.83 should be reported as the adjusted amount which, when multiplied by *Table 2, field 87, Price Per Unit*, and taking into account any adjustment of the coupon, gives the settlement proceeds of the security.

7. Reporting special transactions

7.1 How should a documented buy/sell-back be reported?

According to SFTR, a buy/sell-back is constituted by two separate contracts with no overarching written legal agreement to connect the two. An undocumented buy/sell-back should be reported using the following fields:

- *Table 2, field 4, Type of SFT* = SBSC
- *Table 2, field 9, Master Agreement Type* = OTHR
- *Table 2, field 10, Other Master Agreement Type* = UNDOCUMENTED

However, the definition of a buy/sell-back in SFTR Article 3(8) is incorrect. SFTR ignores the fact that most buy/sell-backs are now documented (often under the GMRA and Buy/Sell-Back Annex). Documentation binds the two legs of a buy/sell-back into a single contract and, in this respect, a documented buy/sell-back is indistinguishable from a repurchase transaction (*Table 2, field 4, Type of SFT* = REPO).

Despite the fact that SFTR defines buy/sell-backs as undocumented pairs of separate contracts, the RTS on transaction reporting requires them to be reported as a single trade under a legal agreement. The Level 1 definition is therefore at odds with the Level 2 reporting requirements. If a reporting entity is trading buy/sell-backs under a written legal agreement, Level 1 implies it should report these trades as repurchase transactions but Level 2 states that, if they are called buy/sell-backs, they should be reported as such. Legally, Level 1 takes precedence over Level 2. But, in its draft Guidelines of May 2019 (p.20, para.61), ESMA requires documented buy/sell-backs to be reported as buy/sell-backs but with *Table 2, fields 9-11*, about the legal agreement, being completed, notwithstanding the Level 1 definition of a buy/sell-back.[74]

How can repurchase transactions and documented buy/sell-backs be distinguished? In reality, the only material difference between a documented buy/sell-back and a repurchase transaction is simply how coupon, dividend or other income payments on collateral are handled.[75] In a repurchase transaction, an income payment on the collateral made by the issuer to the buyer should trigger an immediate and equal income payment (often called a "manufactured payment") from buyer to the seller. In a buy/sell-back, on the other hand, the value of any income paid on the collateral is deducted in advance from the repurchase price that would otherwise be due to be paid by the seller to the buyer on the repurchase date together with additional interest to compensate the seller for the delay between the collateral income payment date and the repurchase date. Replacement of manufactured payments by the adjustment of the repurchase price is the principal purpose of the GMRA Buy/Sell-Back Annex. It is recommended that if parties

[74] The draft Guidelines have also corrected the indication in the Final Report (p.44, Table 2) that the *Action Types* for early termination (ETRM) and collateral updates (COLU) should not be used in a report of a buy/sell-back (p.39, Table 5). This has been confirmed in the Final Report of January 2020 (p.46, para.239(a)).

[75] The GMRA excludes open buy/sell-backs but this is just a consequence of the way that income payments on collateral are handled. Historically, the conventions for the quotation of purchase price and the repo overall were different historically between repurchase transactions and buy/sell-backs but these differences are not material.

are transacting documented repos that do not pay a manufactured payment in response to the payment of income on collateral should make a loan report including the following fields:

- *Table 2, field 4, Type of SFT* = SBSC
- *Table 2, field 9, Master Agreement Type* = [legal agreement]
- *Table 2, field 10, Other Master Agreement Type* = [blank]

In its final Guidelines and Final Report of January 2020, ESMA has advised "when counterparties find that certain types of BSB/SBBs are better reported by using the repo template, in case both counterparties agree, the counterparties should use the repo template to report those SFTs" and that "it is up to the counterparties to agree what type of SFT they conclude" (pp.11-12, paras.29 and 41-42, p.20, para.64(c)).

See sample reports 1.1 and 1.2 for examples of the recommended reporting of undocumented and documented buy/sell-backs.

Recommendation: Parties transacting documented repos that do not pay a manufactured payment in response to the payment of a coupon, dividend or other income on collateral should report them as buy/sell-backs along with the legal agreement, if any.

7.2 How should the price of a buy/sell-back be reported?

The RTS on transaction reporting does not allow a repo rate to be reported for buy/sell-backs in *Table 2, field 23, Fixed Rate*, or in *Table 2, field 25, Floating Rate*. Nor does it allow reporting of the traditional price of a buy/sell-back, which is the forward break-even price or yield of the collateral. Nor does it provide any other price field. The reason for not reporting the repo rate is unclear, as it is common practice in the market. And it would also be convenient for firms to minimize the reporting differences between repurchase transactions and buy/sell-backs by reporting the same type of price for both. Even where parties negotiate only the purchase price and repurchase price of a buy/sell-back without a repo rate being explicitly agreed or recorded, the rate can be easily calculated using the following standard annualization formula.

$$\text{repo rate} = \left(\frac{\text{repurchase price}}{\text{purchase price}} - 1\right) \times \frac{100 \times \text{annual basis}}{\text{day count}}$$

where annual basis = conventionally assumed number of days in the year
day count = number of days from and including value date to but excluding maturity date

The final RTS on transaction reporting has tried to address the lack of a price field for buy/sell-backs by making *Table 2, field 49, Security or Commodity Price*, a mandatory field for this type of repo. Unfortunately, this field is for "the price of the security or commodity used to calculate the trade amount for the spot leg of the buy-sell back". This is not a market convention for quoting buy/sell-backs. Moreover, it would appear to be the same number as *Table 2, field 87, Price Per Unit,* although only at the start of a transaction, and therefore provides no additional information.[76]

In its Final Report of January 2020, ESMA acknowledged the inadequacy of field 2.49 as the price of a buy/sell-back (p.19, para.63). To solve this problem, it will be necessary to amend the RTS on transaction reporting and this will not happen for some time.

If the collateral in a buy/sell-back is a fixed-income security quoted as a percentage of its nominal value, *Table 2, field 50, Price Currency*, should left blank. But in the case of a security for which prices are expressed in a currency unit (for example, an equity), that currency should be the *Price Currency*. See recommendation 6.6.

Recommendation 1: If a buy/sell-back is reported, the price should be reported in field 2.49 and should be the same value as field 2.87 at the inception of the repo.

Recommendation 2: Where the price of a security is quoted as a percentage of the nominal value of the security, the *Price Currency* of the collateral should be left blank.

[76] Field 2.49 should only be equal to field 2.87 in the report of a new buy/sell-back (*Table 2, field 98, Action Type* = NEWT) and should not be updated during the life of the buy/sell-back, as field 2.87 changes in line with changes in the market price of the collateral securities, given that field 2.49 is the "the price of the security or commodity used to calculate the trade amount", which is the fixed purchase price or *Table 2, field 37, Principal Amount on Value Date*.

7.3 How should a new evergreen repo be reported?

7.3.1 Open evergreen repo with an extended termination notice period

New open evergreen repos which have a termination notice longer than the standard period (T+0, T+1, T+2) should be reported by submitting a loan report including:

- *Table 2, field 14, Maturity Date* = [blank]
- *Table 2, field 16, Minimum Notice Period* = [number of working days between notification & the maturity day that would be fixed if the evergreen was immediately terminated --- see recommendation 7.3]
- *Table 2, field 17, Earliest Call-Back Date* = [transaction date (assuming the option is not restricted to certain future dates or periods) --- see recommendation 5.4]
- *Table 2, field 21, Open Term* = TRUE
- *Table 2, field 22, Termination Optionality* = EGRN (evergreen repo)
- *Table 2, field 98, Action Type* = NEWT (new transaction)

7.3.2 Fixed-term evergreen repo with an extended termination notice period[77]

The revised Validation Rules of October 2019 changed the conditionality of field 2.14 to make it conditional solely on *Table 2, field 21, Open Term* = FALSE, which means that new fixed-term evergreen repos can now be reported.[78] Loan reports of fixed-term evergreens with extended termination notice periods should include the following fields:

- *Table 2, field 14, Maturity Date* = [initial maturity date]
- *Table 2, field 16, Minimum Notice Period* = [number of working days between notification & the maturity day that would be fixed if the evergreen was immediately terminated --- see recommendation 7.3]
- *Table 2, field 17, Earliest Call-Back Date* = [transaction date (assuming the option is not restricted to certain future dates or periods) see below and recommendation 5.4]

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[77] The Consolidated Validation Rules of May 2019 ruled out fixed-term evergreen repos. This was because *Table 2, field 14, Maturity Date* = [date], was made conditional on *Table 2, field 21, Open Term* = FALSE and *Table 2, field 22, Termination Optionality* = NOAP). So, if field 2.22 = EGRN, a report could not include a maturity date and therefore could not be identified as fixed-term.

The Consolidated Validation Rules contradicted the draft Guidelines (para. 263), which correctly stated that the Termination Optionality field "is closely linked with field 2.21. Fixed-term repos can have optionality, ie evergreen (Table 64) or extendible (Table 65) or be without optionality, ie not applicable "NOAP" (Table 63)". However, the same paragraph was mistaken in saying that "Open term repos can be evergreen (Table 64) or have no optionality (Table 63)". In fact, all open repos have termination optionality.

[78] ESMA's draft Validation Rules of October 2016 implicitly assumed that all evergreen repos had fixed terms. In practice, evergreen repos can also be open-ended and this was acknowledged in ESMA's draft Guidelines of May 2019. However, the Consolidated Validation Rules of May 2019 then ruled out fixed-term evergreen repos. This was because Table 2, field 14, Maturity Date = [date], was made conditional on Table 2, field 21, Open Term = FALSE and Table 2, field 22, Termination Optionality = NOAP). So, if field 2.22 = EGRN, a report could not include a maturity date and therefore could not be identified as fixed-term.

The Consolidated Validation Rules also contradicted the draft Guidelines (para. 263), which correctly stated that the Termination Optionality field "is closely linked with field 2.21. Fixed-term repos can have optionality, ie evergreen (Table 64) or extendible (Table 65) or be without optionality, ie not applicable "NOAP" (Table 63)". On the other hand, the same paragraph was mistaken in saying that "Open term repos can be evergreen (Table 64) or have no optionality (Table 63)". In fact, all open repos have termination optionality.

- *Table 2, field 21, Open Term* = FALSE
- *Table 2, field 22, Termination Optionality* = EGRN (evergreen repo)
- *Table 2, field 98, Action Type* = NEWT (new transaction).

7.3.3 Fixed-term evergreen repos with a crawling repurchase date[79]

Fixed-term evergreen repos with a crawling repurchase date will require a modification report (*Table 2, field 98, Action Type* = MODI) in respect of every working day until the evergreen is terminated to change *Table 2, field 14, Maturity Date*, by one working day.

7.3.4 Problem with *Earliest Call-Back Date* (field 2.17)

For all types of evergreen repo, the Validation Rules imply that it will be necessary, on each working day after the transaction date until termination, to report a change in *Table 2, field 17, Earliest Call-Back Date* to reflect the fact that the option to terminate has moved forward by one working day to the current working day. This report would include:

- *Table 2, field 3, Event Date* = [previous *Event Date* plus one working day]
- *Table 2, field 14, Maturity Date* = [previous maturity date plus one working day]
- *Table 2, field 17, Earliest Call-Back Date* = [previous *Earliest Call-Back Date* plus one working day]
- *Table 2, field 98, Action Type* = MODI (modification)

However, there is little information of value to the regulator in reporting such automatic modifications, as nothing changes in the contractual terms as a transaction ages, and it is burdensome to report. Accordingly, it was recommended that the *Earliest Call-Back Date* for open repos and evergreen repos with extended notice periods (but not evergreen repos for which the maturity date moves forward by every day by one day until terminated) should be reported in the initial report (*Table 2, field 98, Action Type* = NEWT) but that this field should not be subsequently updated using modification reports over the remaining life of the transaction, despite the fact that this field will change each working day.

This recommendation was consistent with the revised Validation Rules of October 2019, under which modifications of field 2.17 were made optional. And it was confirmed by ESMA in its final Guidelines and Final Report of January 2020, which require that "Unless the counterparties have agreed to a new earliest call-back date, they should report the original earliest call-back date applicable to the SFT" (p.89, para.241; p.66, para.411). See recommendation 5.4.

The termination of an evergreen repo is the subject of recommendation 7.5.

See sample reports 4.1 to 4.3 for examples of the recommended reporting of evergreen repos.

[79] These evergreen structures are also called "rolling fixed-term" and "dynamic end-date" or "crawling end-date".

Recommendation 1: New fixed-term evergreen repos with crawling repurchase dates should be reported in the initial loan report as the number of working days between the first date on which a termination notice could be served if that decision was taken immediately after transacting the repo and the date of settlement of termination. The number of days reported in the initial loan report should not be updated in any subsequent reports unless the *Minimum Notice Period* is renegotiated by the parties.

Recommendation 2: In the case of a new fixed-term evergreen repo, the *Earliest Call-Back Date* should be the transaction date in the report of the new transaction. It should not be subsequently updated using modification reports over the remaining life of the transaction but should be repeated in any required reports.

7.4 How should a new extendible repo be reported?

Extendible repos are fixed-term transactions. This is recognised in all versions of ESMA's Validation Rules, which require *Table 2, field 21, Open Term* = FALSE, if *Table 2, field 22, Termination Optionality* = ETSB (extendible). However, in the Consolidated Validation Rules of May 2019, *Table 2, field 14, Maturity Date* = [date], was also made conditional on *Table 2, field 22, Termination Optionality* = NOAP. In other words, extendible could be fixed-term under one rule but could not be fixed-term under another. This contradiction was removed in the revised Validation Rules of October 2019 by making field 2.14 conditional only on field 2.21 = FALSE. Accordingly, extendible repos should be reported by submitting a loan report including:

- *Table 2, field 14, Maturity Date* = [initial maturity date]
- *Table 2, field 16, Minimum Notice Period* = [number of working days between notification & the new repurchase date]
- *Table 2, field 17, Earliest Call-Back Date* = [date of earliest extension option]
- *Table 2, field 21, Open Term* = FALSE
- *Table 2, field 22, Termination Optionality* = ETSB (extendible repo)
- *Table 2, field 98, Action Type* = NEWT (new transaction)

Note that there is still a contradiction in the Consolidated Validation Rules, albeit a semantic one, inasmuch as they require the *Minimum Notice Period* for an extendible repo to be reported but also say that the field applies only to termination options. Similarly, it is required to report the *Earliest Call-Back Date* for extendibles despite the fact that the option in such an instrument is to extend and not to call back.

The extension of an extendible repo is the subject of recommendation 7.6.

See sample report 4.4 for an example of the recommended reporting of an extendible repo.

7.5 How should the termination of an evergreen repo be reported?

In line with recommendation 9.4, when an evergreen repo with an extended notice period is terminated, a modification report (and not an early termination report) should be made that converts the evergreen into a standard fixed-term repo.[80]

In the case of an open evergreen repo with an extended notice period, modification should be of the following fields:

- *Table 2, field 3, Event Date* = [date of termination & fixing of new maturity date]
- *Table 2, field 14, Maturity Date* = [new maturity date]
- *Table 2, field 21, Open Term* = FALSE
- *Table 2, field 22, Termination Optionality* = NOAP (not applicable)
- *Table 2, field 38, Principal Amount on Maturity Date* = [repurchase price]
- *Table 2, field 98, Action Type* = MODI

In the case of a fixed-term evergreen repo with an extended notice period, the following fields should be modified:

- *Table 2, field 3, Event Date* = [date of termination & fixing of new maturity date]
- *Table 2, field 14, Maturity Date* = [new repurchase date]
- *Table 2, field 16, Minimum Notice Period* = [blank]
- *Table 2, field 17, Earliest Call-Back Date* = [blank]
- *Table 2, field 22, Termination Optionality* = NOAP (not applicable)
- *Table 2, field 98, Action Type* = MODI

In the case of a fixed-term evergreen with a *Maturity Date* that will automatically crawl forward by one working day unless and until it is terminated by one of the parties, field 2.22 will already be NOAP.

Recommendation: In line with recommendation 9.4, the termination of an evergreen repo should be reported as a modification of the transaction into a conventional fixed-term repo.

[80] Note that Action Type ETRM is used only where termination is settled same-day. Evergreen repos are always terminated for future settlement.

7.6 How should the extension of an extendible repo be reported?

When an extendible repo is extended to a later repurchase date, for the purposes of reporting, if the contract is being extended into a conventional fixed-term repo with a later maturity date, a modification report should be made. The modification should be of the following fields:

- *Table 2, field 3, Event Date* = [date on which modification is agreed]
- *Table 2, field 14, Maturity Date* = [new maturity date]
- *Table 2, field 22, Termination Optionality* = NOAP (not applicable)
- *Table 2, field 38, Principal Amount on Maturity Date* = [new repurchase price]
- *Table 2, field 98, Action Type* = MODI

In line with recommendation 9.4, the modification of a future maturity date should be made as of the date on which one party serves the extension notice on the other, as this is the date on which the contractual obligations and risk exposure of the parties will change.

If, at the time of the extension, the repo is re-rated and accrued repo interest is paid off, the following fields should also be filled in:

- *Table 2, field 23, Fixed Rate* = [new repo rate]
- *Table 2, field 38, Principal Amount on Maturity Date* = [new repurchase price adjusted for clean-up]

Some extendible repos can be extended to create a new extendible repo under the same contract (and therefore same *UTI*) with the same terms and conditions as the previous repo. In this case, the transaction remains an extendible, so *Table 2, field 22, Termination Optionality* would not be changed to NOAP but would remain as ETSB.

This approach appears to have been accepted by ESMA in its draft Guidelines of May 2019 (p.38, table 5).

Recommendation: The extension of an extendible repo should be reported as a modification of the transaction into a conventional fixed-term repo unless the extension preserves the option to extend, in which case, the transaction remains an extendible.

7.7 How should transactions with the Bank of England under its Sterling Monetary Framework be reported pre and post Brexit?

The Bank of England provides a number of liquidity facilities to UK banks under its Sterling Monetary Framework (SMF). One set of facilities is for financial stability purposes (ie liquidity insurance) in the form of Liquidity Support Operations or Open Market Operations (OMO).

- **Discount Window Facility (DWF)**
- **Index Long Term Repo (ILTR)**
- **Contingent Term Repo Facility (CTRF)**

All these facilities are collateralized by title transfer and appear to be net collateralized as a portfolio against a single pool of collateral (no earmarking of particular securities against individual transactions).

DWF is a collateral swap in which the bank lends UK gilts by title transfer (but can lend cash) against collateral in the form of eligible securities. All deliveries of securities are free of payment.

ILTR is a tri-party repo in which the Bank will regularly lend cash against eligible securities for six months.

CTRF is an exceptional facility in which the Bank will regularly lend cash against eligible securities for various terms.

Alongside the Liquidity Support Operations or Open Market Operations (OMO), the Bank of England offer another facility for monetary stability purposes called the **Operation Standing Facility (OSF)**. Banks can deposit cash or they can borrow cash against eligible securities, both overnight. Collateralization appears to be by title transfer as in a repo (which is how the IMF describes OSF transactions).

<u>Post-Brexit reporting by EU banks</u>

Prior to Brexit, EU banks will be required to report use of DWF, ILTR, CTRF and OSF under MiFIR.

Post Brexit, UK banks will be required to report use of DWF, ILTR, CTRF and OSF under the UK equivalent of MiFIR but EU banks will have to report these transactions under SFTR.

Given the facilities are all based on title transfer and appear to be net collateralized as a portfolio against a single pool of collateral (no earmarking of particular securities against individual transactions), the following fields need to be included in reports:

- *Table 2, field 73, Collateralization of Net Exposure* = TRUE

Use of DWF should be reported as a securities loan against non-cash collateral, both legs involving title transfer (*Table 2, field 4, Type of SFT* = SLEB and *Table 2, field 75, Type of Collateral Component* = SECU).

Given the possibility of manufactured payments, use of ILTR should be reported as a repurchase transaction (*Table 2, field 4, Type of SFT* = REPO).

Given the possibility of manufactured payments, use of CTRF should be reported as a repurchase transaction (*Table 2, field 4, Type of SFT* = REPO).

All transactions under the SMF are governed by the *Terms and Conditions for Participation in the Bank of England's Operations under the Sterling Monetary Framework* (18 March 2019). It is recommended this is reported as:

- *Table 2, field 10, Master Agreement Type* = OTHR
- *Table 2, field 11, Other Master Agreement Type* = Bank of England Terms

Given that the Bank of England will not report under SFTR, all reports will be one-sided, so there will be no matching.

7.8 How should a tri-party repo be reported?

A tri-party repo can be a repurchase transaction or buy/sell-back (but usually the former) for which post-trade processing --- collateral allocation, payments and deliveries, custody of collateral securities, collateral management and other operations during the life of the transaction --- is outsourced by the parties to the same third-party agent. A tri-party agent can be a custodian bank, an ICSD or a CSD. In Europe, the principal tri-party agents are Clearstream Bank Luxembourg, Euroclear Bank, Bank of New York Mellon, JP Morgan and SIS.

Because a tri-party agent is just an agent, use of a tri-party service does not change the risk relationship between the parties. If one of the parties defaults, the impact falls entirely on the other party. This means that parties to tri-party repo need to continue to sign bilateral legal agreements such as the ICMA's Global Master Repurchase Agreement (GMRA), although these will be subject to amendment by the service agreement signed by the parties and the agent to allow the agent to take over the post-trade management of collateral. But only the bilateral legal agreement is reported in *Table 2, field 9, Master Agreement Type*. However, there is an exception in the case of GC financing facilities, which are governed by the repo rulebook of the CCP.

The tri-party agent does not provide a trading venue where the parties can negotiate and execute transactions, although some tri-party agents are linked to trading platforms.

In reports of tri-party repos, the tri-party agent should be identified by its LEI in *Table 1, field 14, Tri-party Agent Identifier.*

Note that the Delivery-By-Value or DBV facility of Euroclear UKI is a tri-party facility. However, the use of DBV has to be indicated separately in *Table 2, field 19, DBV Indicator*. It is not necessary to also identify Euroclear UKI as the tri-party agent in field 1.14.

Because the collateral allocation to a tri-party repo is made by the tri-party agent and is not known ahead of the transaction, a tri-party repo is a general collateral (GC) transaction, which means that *Table 2, field 18, General Collateral Indicator* = GENE.

The GC nature of a tri-party repo also means that the purchase price (reported in *Table 2, field 37, Principal Amount on the Value Date*) is agreed before the collateral allocation is made and will be a round amount of cash.

Note that the post-trade management of repos by a tri-party agent does not result in the merging of individual repos into one position. The individual contracts remain separate.

Most tri-party agents in Europe allocate and maintain initial collateral separately against individual repos. The exception is JP Morgan, who allocate and maintain initial collateral against the net exposure of all tri-party repos between two parties, in other words, a single pool of collateral is applied to the entire portfolio of tri-party repos managed by JP Morgan on behalf of two parties.

In the case of tri-party repos, other than those managed by JP Morgan, variation margin is not calculated and called against the net exposure of a portfolio of repos under the same legal

agreement. Rather, the initial collateral is increased or decreased separately on each repo to eliminate any exposure beyond the agreed haircut. Given that tri-party repos, other than those managed by JP Morgan, are also individually collateralized at inception, *Table 2, field 73, Collateralization of Net Exposure*, should be reported as FALSE for all tri-party repos other than those managed by JP Morgan. In the latter case, field 2.73 = TRUE, given that initial collateralization and variation margin are against the net exposure of the portfolio of repos under management.

Because the collateral allocation by a tri-party agent will probably not be known in time to report on T+1, *Table 2, field 75, Type of Collateral Component*, in the NEWT report is not filled in, which means the details of the collateral securities do not have to be reported in fields 2.76-79, 83, 85-94. In order to indicate that the collateral allocation will be made by reference to a pre-agreed basket, *Table 2, field 96, Collateral Basket Identifier*, is filled in with the ISIN of the basket or, if there is no ISIN, the code NTAV (meaning "not available").

When the collateral allocation is eventually reported to the parties by the tri-party agent, the reporting parties must make a collateral update report (*Table 2, field 98, Action Type = COLU*) no later than S+1 giving the details of the collateral securities that have been allocated to each tri-party repo or, in the case of tri-party repos managed by JP Morgan on a net collateralization basis, to the pool of collateral.

In the case of individually-collateralized tri-party repos --- for which field 2.73 = FALSE --- each COLU report is linked to the loan reports for the relevant repo by:

- *Table 1, field 3, Reporting Counterparty* = [LEI]
- *Table 1, field 11, Other Counterparty* = [LEI]
- *Table 2, field 1, Unique Transaction Identifier*

Note that filling in the UTI in a COLU report indicates to the trade repository that the report is for an individual repo and means that the repository will not overwrite COLU reports received earlier on the same day from the same counterparties despite field 2.73 = TRUE (this should happen given that there can only be one net collateralization report between two parties).

In the case of tri-party repos managed by JP Morgan on a net collateralization basis --- for which field 2.73 = TRUE --- the COLU report for the pool of collateral is linked to the relevant portfolio of repos by:

- *Table 1, field 3, Reporting Counterparty* = [LEI]
- *Table 1, field 11, Other Counterparty* = [LEI]
- *Table 2, field 9, Master Agreement Type*

If, as is usual, multiple securities have been allocated, the data fields in the COLU report are repeated for each security.

Where a party has tri-party repos managed by JP Morgan under the same legal agreement as repos managed bilaterally and margined against the net exposure of those other repos, a problem arises with respect to COLU reports. The net collateral managed by JP Morgan should be reported in a COLU report with field 2.73 = TRUE, but so should the variation margin of the other repos.

However, only one COLU report can be made with field 2.73 = TRUE. If two are sent to the trade repository, the one arriving later will overwrite the one which arrived earlier. To avoid this problem, it is recommended that, in this situation, that parties send a single COLU report combining the details of the tri-party collateral pool and variation margin. This will not be entirely correct, given that *Table 1, field 14, Tri-Party Agent Identifier*, will have to be reported despite not being relevant to the margin component of the report, but it is the only practicable option. See recommendation 9.3.

In the case of tri-party repos, the parties are responsible for *Table 2, field 83, Price Per Unit*, and *Table 2, field 88, Collateral Market Value*. In practice, parties will rely on the valuation by the tri-party agent. It would be impracticable to do otherwise.

8. Reporting CCP-cleared repos

8.1 Should CCP-cleared repos be reported at position level (field 2.99)?

The standard method of reporting new repos under SFTR is at the level of individual trades. However, according to ESMA's Final Report (section 4.2.1.2), reporting parties have the right, but not the obligation, to report CCP-cleared repos in aggregate as a single position.

In order to establish a reportable position, a repo that is to be the first constituent of the position would be reported as an individual trade with its own *UTI*. The report would also include the following fields:

- *Table 2, field 98, Action Type* = POSC (this *Action Type* indicates that this repo is to be subsumed into a position)
- *Table 2, field 99, Level* = TCTN (this field indicates that the repo has not yet been subsumed into a position)

This report would then be immediately terminated (*Table 2, field 98, Action* Type = ETRM) and a new position would be reported which has its own *UTI*. The report would include the following fields:

- *Table 2, field 98, Action Type* = NEWT
- *Table 2, field 99, Level* = PSTN (this code indicates that the data in the report is for a position rather than an individual transaction)

Subsequent repos would be reported as new transactions, like the first repo, each with its own *UTI*. Each of these reports would also be immediately terminated and subsumed into the established position by modifying that position (*Table 2, field 98, Action Type* = MODI).

Note both parties must report at the same level. It is not permitted for one to report at trade level and the other at position level.

Optional position-level reporting of CCP-cleared repos is subject in the Final Report to six conditions (sub-paras.99(a)-(f)). The key condition is 99(a), which requires that "*risk is at position level, the trade reports all relate to products that are fungible with each other and the individual trades have been replaced by the position. This is the case when novation takes place after netting of individual trades, the netted position results in a new contract, and a new UTI is generated for it*".

This fungibility requirement poses no problems for derivatives but, in repo, it means that separate positions for each currency and each ISIN would have to be reported for each settlement date. This would make position-reporting more complicated than it might initially appear.
But there is a more fundamental obstacle to position-reporting of CCP-cleared repos. The only novation by *CCPs* consists of replacing each contract between two *Clearing Members* with two contracts, one between the *CCP* and each *Clearing Member*. And this takes place before any

netting by the *CCP*, which is limited to the technical netting (also known as settlement or payments netting) of fungible payments due on the same settlement date and fungible delivery obligations due on the same settlement date and at the same depository. This type of netting does not create a single contract for each net payment or delivery amount. These net payments and deliveries would not therefore qualify for *UTIs*. Accordingly, position-level reporting of CCP-cleared repos is not possible.

The obstacles to position-level reporting have been recognized by ESMA in its draft Guidelines of May 2019 and its Final Report of January 2020 (pp.23-24, paras,84-86 and pp.27-28, paras.103-113).

Recommendation: It is not possible for reporting parties to adopt the option of position-level reporting for CCP-cleared repos as clearing does not meet the requirements.

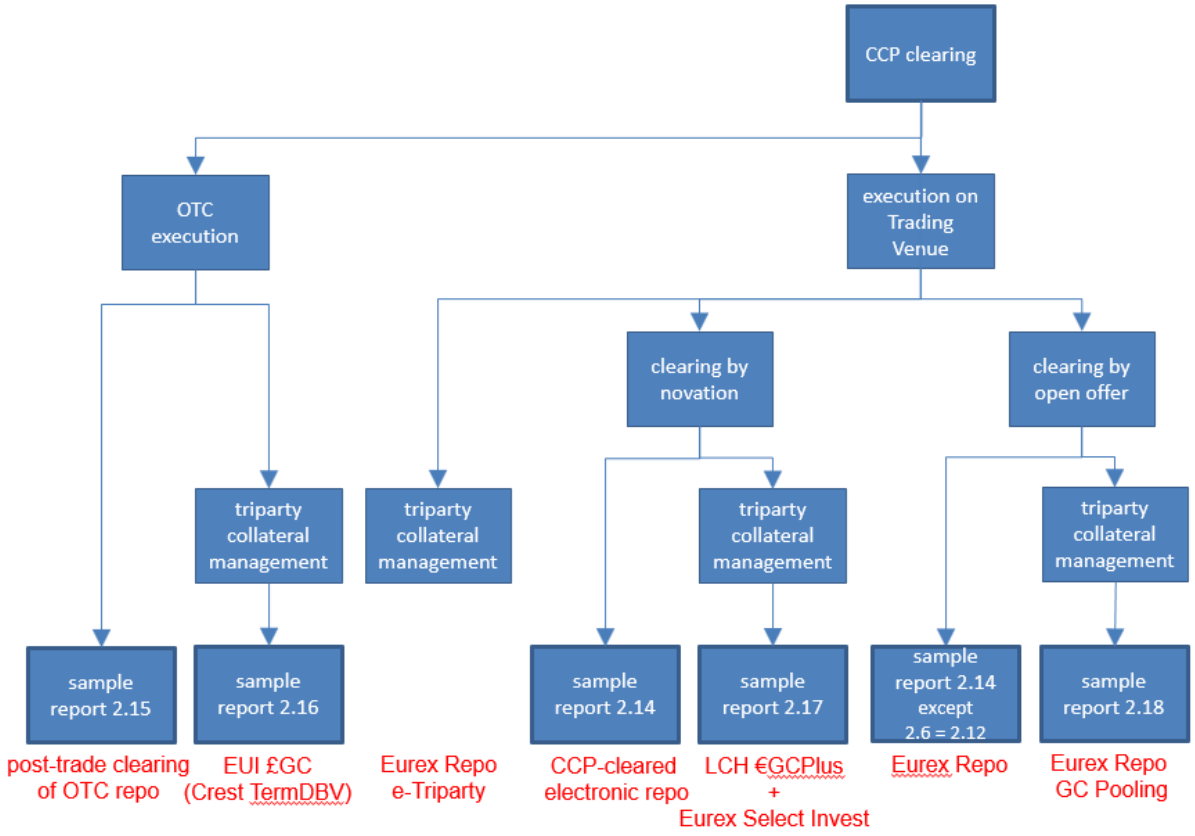
8.2 How should CCP-cleared repos and margins be reported?

8.2.1 Reporting CCP-cleared repos

The reporting profile of a CCP-cleared repo depends on:

- whether it is executed OTC or on a *Trading Venue* [81]
- whether the *CCP* clears by novation or open offer
- whether or not collateral management is outsourced to a tri-party agent.

There are five possible configurations for CCP-cleared repos. These are illustrated in the diagram below, in which each flow leads to the relevant sample report.



The following recommendations for reporting transactions are made for each of the five configurations.

[81] Note that SFTR adopts a narrower definition of OTC transactions than that traditionally applied in the market. The traditional definition of OTC includes both direct and voice-brokered transactions. Under SFTR, as implemented in the RTS and ITS, voice-brokers operating as OTFs or MTFs are classed as *Trading Venues*. See recommendation 4.4.

It should be noted that clearing by *CCPs* does not result in the replacement of individual repos (each with its own *UTI*) by a single position (with its own *UTI*). In other words, reporting is at transaction level and not position level. See recommendation 8.1. This means loan reports have to be made for each individual repo in all cases. On the other, in some cases, collateral is allocated against a portfolio of repos, that is, collateralization on a net exposure basis (see cases 8.2.1.4 and 8.2.1.5 below and sample reports 2.17 and 2.18).

For *CCPs*, the master agreement is the current rule book published by the *CCP*. This should be reported as:

- *Table 2, field 9, Master Agreement Type* = OTHR
- *Table 2, field 10, Other Master Agreement Type =* [name of *CCP* rule book for repo]

ESMA's draft Guidelines of May 2019 have used the phrase "CCP Clearing Conditions" in an example including field 2.10 but parties should use the official title given by the *CCP*. The rule book may be specific to repo. Rule book names proposed by a number of *CCPs* are listed in 8.2.3 below. As rule books are updated frequently, it would be impracticable to fill in *Table 2, field 11, Master Agreement Version,* and this is not recommended.

Note that, in respect of collateral update reports for CCP-cleared repos (Table 2, field 98, Action Type = COLU), ESMA's Guidelines of January 2020 (p.34, para.130) say that "When an SFT is cleared, information related to valuations sourced from the CCP should be used for SFTR reporting".

8.2.1.1 Repos which are:

- executed OTC
- cleared post trade by novation
- against collateral allocated against individual repos
- managed by the reporting parties

See sample report 2.15.

This example includes repos executed in the OTC market and submitted to:

- a *CCP* for clearing post trade using a facility provided by a *Trading Venue;* or
- the special matching and registration facility (ETCMS) provided by Euroclear to facilitate for post-trade clearing at LCH.

Note that the post-trade use of a facility provided by a *Trading Venue* changes the Trading Venue report from XXXX to XOFF but use of ETCMS does not --- see recommendation 4.5.

Reporting parties who transact a repo in the OTC market (not on a *Trading Venue*) with the intention of clearing that repo at a CCP are required to assume, for the purposes of SFTR, that they execute a "prior" repo between themselves which is then terminated and replaced by cleared repos with the *CCP*.[82] This assumption applies even to repos negotiated on condition that the transaction is registered by the *CCP*, where no contract would be created should the *CCP* reject or fail to register the transaction.

However, if a repo is transacted without the intention of clearing it at a CCP but is subsequently submitted for clearing (after the transaction date), no prior repo should be assumed.

Note that references in ESMA's Guidelines to not reporting "give-ups and take-ups in the execution and clearing chain" do not refer to prior repos (final Guidelines of January 2020 p.10, para.17; Final Report of January 2020 p.63, para.386). See recommendation 8.8.

The prior repo between two reporting parties has to be ascribed a *UTI* (*Table 2, field 1, Unique Transaction Identifier*) in the report of the prior repo (*Table 2, field 98, Action Type* = NEWT). The source of the *UTI* for the prior repo should be decided according to the methodology provided by ESMA (see Final Report, pages 77-78, Figure 1) but, in an OTC transaction, will almost certainly have to be provided, as agreed, by one of the reporting parties. See recommendation 3.1 and recommendation 8.3.

Where the reporting parties have made a repo conditional on registration by the *CCP*, it is recommended that, because of its non-contractual nature, the prior repo be reported as undocumented (see recommendation 8.4) including the following fields:

- *Table 2, field 9, Master Agreement Type* = OTHR
- *Table 2, field 10, Other Master Agreement Type* = UNDOCUMENTED

Should the *CCP* reject or fail to register the transaction, the parties should report an error (*Table 2, field 98, Action Type* = EROR).[83] This will cancel the report of the prior repo.

On the other hand, if the *CCP* registers the repo submitted by the parties, the report of the prior repo should be terminated (*Table 2, field 98, Action Type* = ETRM) as soon as registration is confirmed by the *CCP*. The link between the two reports is the *UTI* of the prior repo.

Immediately following the termination of the report of any prior repo, the reporting parties should report the creation of two new cleared repos with the *CCP* (*Table 2, field 98, Action Type* = NEWT). The link to the terminated prior repo is the *UTI* of that repo, which should be included in the reports of the cleared repos by the reporting parties (but not in the reports by the *CCP*) in:

- *Table 2, field 2, Report Tracking Number* = [*UTI* of prior repo]

The *UTIs* of the cleared repos should be generated by the *CCP*.

[82] Note that if a repo is arranged by a voice-broker, it will be deemed to be an OTC repo if the voice-broker is not an Organized Trading Facility (OTF) or Multilateral Trading Facility (MTF) under MiFID II. But if the voice-broker is an OTF or MTF, it is also a *Trading Venue*, in which case, where clearing is the same day, the prior repo does not have to be reported and terminated. See case 5.2.1.3.

[83] This recommendation is in line with ESMA Guidance in its Final Report of January 2020 (p.35, para.159).

The reports of the CCP-cleared repos should also include:

- *Table 2, field 9, Master Agreement Type* = OTHR
- *Table 2, field 10, Other Master Agreement Type* = [name of *CCP* rule book for repo]
- *Table 2, field 97, Portfolio Code*

The *Portfolio Code* identifies the netting set for the purpose of calculating initial and variation margins. In other words, it is the portfolio of repos cleared between each party and the *CCP*, for which common initial and variation margins are called.[84] [85]

The *Portfolio Code* should be generated by the reporting party for its own use. It is not a matching field.

There is a contradiction in the Validation Rules about the format for *Portfolio Code* within Table 2 of the data fields (transaction and position reporting) and there is a contradiction between Table 2 and Table 3 (margin update reports). The rule in Table 2 requires both 52 characters exactly and "up to" 52 characters. The rule in Table 3 requires exactly 52 characters. The SFTR Implementing Technical Standards (ITS) on transaction reporting require 52 characters. It is recommended that parties use 52 characters exactly.

EMIR does not require 52 characters exactly for a portfolio code. Where parties have to use their EMIR code in SFTR reports because a CCP portfolio includes derivatives, they will have to change their EMIR code if it does not already have exactly 52 characters.

8.2.1.2 Repos which are:

- executed OTC
- cleared post trade by novation
- against collateral allocated against net exposure
- managed by a tri-party agent

See sample report 2.16.

This type of CCP-cleared repo can be executed on £GC (formerly called Term DBV), which is the sterling GC financing facility offered LCH Ltd and supported by Euroclear UKI (CREST). GC financing facilities combine CCPs and tri-party collateral managers.[86] Note than £GC can also be traded on a *Trading Venue*, as in case 85.2.1.4 below and illustrated in sample report 2.16.

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[84] If margining is done for a portfolio containing both SFTs and derivatives, it will have a portfolio code under EMIR. This must be used for SFTR. See recommendation 9.11. But note that the EMIR portfolio code is not only for CCP-cleared derivatives.

[85] In practice, at least one *CCP* calls a single initial margin per clearing member account but separate variation margins, one for each currency in which the underlying cleared transactions are denominated. In this case, if portfolios and *Portfolio Codes* were to be defined in terms of variation margin, because initial and variation margins must be included in the same margin report, the single initial margin would have to be split up between portfolios, which is not practicable or meaningful. Consequently, it is recommended that portfolios and *Portfolio Codes* for the purpose of SFTR margin reports are defined in terms of all the cleared transactions covered by the same initial margin. This means that there will be one portfolio and one *Portfolio Code* per clearing account per *Table 1, field 16, Clearing Member*.

[86] GC financing facilities offer CCP-clearing and tri-party collateral management services. They are often accessed through automatic trading systems (ATS). Collateral is allocated against the net exposure of a portfolio of GCFF repos. There are three such facilities in the EU at the moment: Eurex Repo's GC Pooling, €GC Plus offered by LCH SA and £GC offered by Euroclear UKI (CREST) and LCH Ltd.

As in the previous case, reporting parties who negotiate a repo in the OTC market are required to assume, for the purposes of SFTR, that they have executed a prior repo between themselves which is then terminated and replaced by cleared repos with the *CCP*. Consequently, they (but not the *CCP*) will have to report:

- *Table 2, field 2, Report Tracking Number* = [*UTI* of prior repo]

The key difference with the report in the previous case is that the allocation of collateral will be made by a tri-party agent and against the net exposure of the entire portfolio of repos transacted through the GC financing facility (in fact, there will be several portfolios in the case of £GC as netting on that facility is of repos with the same maturity date). Net exposure collateralization means that the reports of the cleared repos should include the following field:

- *Table 2, field 73, Collateralization of Net Exposure* = TRUE

Collateral allocations against a net exposure should be reported using collateral update reports (*Table 2, field 98, Action Type* = COLU) linked to the portfolio of underlying repos (which continue to exist as separate transactions as there is no netting into a single position) by:

- *Table 1, field 3, Reporting Counterparty*
- *Table 1, field 11, Other Counterparty*
- *Table 2, field 9, Master Agreement Type* = OTHR[87]

Where field 2.9 = OTHR, it will also be necessary to include:

- *Table 2, field 10, Other Master Agreement Type* = [name of *CCP* rulebook for repo]

In the case of overnight repos, it will be essential that the collateral allocation is made in time for the reporting parties to report the specific securities allocated as collateral on T+1, as the maturity of an overnight repo on T+1 would cause trade repositories to reject any later collateral update reports (*Table 2, field 98, Action Type* = COLU).

8.2.1.3 Repos which are:

- executed on a Trading Venue
- cleared by novation
- against collateral managed by the reporting parties

See sample report 2.14.

This type of transaction accounts for the bulk of CCP-cleared repos. The main repo *Trading Venues* in the EU and UK are automatic trading systems such as BrokerTec, Eurex Repo and MTS, and automated trading systems such as GLMX and TradeWeb. It is assumed in this case that, because execution is on a *Trading Venue*, the transaction should be submitted to the *CCP* on the same day as it is agreed on the *Trading Venue*. Under the reporting rules for SFTR, this means that, although the reporting parties are required to assume the creation of a prior repo, they do not have to report the creation and then termination of that prior repo. All that each party has to report is its

[87] In fact, where field 2.9 = OTHR, it will only help provide a link to the portfolio of underlying repos if the reporting party has only one master agreement type under the category OTHR. It is likely that parties will have several agreements (CCP rule book) in place with a CCP, one for each agreement, so the three linking fields would not be a unique connection between the portfolio and collateral.

cleared repo with the *CCP*[88]. However, despite the fact that no prior repo has to be reported in this case, the reports of the cleared repos that are made by the reporting parties (but not the reports by the *CCP*) still have to include:

- *Table 2, field 2, Report Tracking Number* = [*UTI* of prior repo]

Note that ESMA's draft Guidelines of May 2019 require that *Table 2, field 6, Clearing Timestamp*, should be later than *Table 2, field 12, Execution Timestamp*, for all repos cleared by a *CCP* by novation (as opposed to open offer, for which the two timestamps should be the same) (p.84, para.240(c)). This is incorrect in the case of the *CCP*, as it only becomes a party to a transaction when it clears that transaction, which means the two timestamps reported by the CCP should be the same. However, because timestamps are matching fields, clearing members and CCPs have to align. ESMA has apparently decided that *CCPs* should align with clearing members by reporting a *Clearing Timestamp* after the *Execution Timestamp*. See recommendation 8.5.

In the unlikely event that a repo traded on a *Trading Venue* and sent to a *CCP* for same-day clearing faces a delay in clearing until the following working day, it is probable that the *Trading Venue* will cancel the transaction and parties will have to resubmit the transaction the next day. Parties should check the rules of their *Trading Venue* to confirm whether it applies such a rule. If it does not, parties should discuss with their *Trading Venue* how delayed clearing will be managed. If the *Trading Venue* does not cancel trades intended for clearing that fail to clear by the end of the day, given that the parties involved in the transaction will not know each other's identity and so cannot complete a prior repo report, it may be necessary to assume that clearing took place on the transaction date.

Note that, in the case of repos traded on what are advertised as GC trading facilities provided by an automatic trading system (ATS) and cleared by a *CCP*, technical obstacles mean that *CCPs* cannot recognize the securities that have been allocated as collateral for a single GC repo. Instead, the *CCP* sees each security as collateral for a separate repo and will report each as a specific repo. See recommendation 6.3.

8.2.1.4 Repos which are:

- executed on a Trading Venue
- cleared by novation
- against collateral allocated against net exposure
- managed by a tri-party agent

See sample report 2.17.

This type of CCP-cleared repo is executed on the GC financing facilities offered by:

- LCH SA (€GCPlus)
- Eurex Repo Select Invest
- LCH Ltd supported by Euroclear UKI (£GC, formerly called Term DBV).[89]

[88] It would anyway be impossible for a party to an electronically-traded CCP-cleared repo to report the prior repo as trading is anonymous, so they do know the name of the party is on the other side of the *CCP*.

[89] Note than £GC can also be traded without a *Trading Venue*, as in case 8.2.1.2.

The key difference between this case and the previous case is that the collateralization of GC financing repos is on a net exposure basis and the reporting of collateral therefore follows case 8.2.1.2.

As in the previous example, it is assumed that, because execution is on a *Trading Venue*, the transaction will be submitted to the *CCP* on the same day as it is agreed on the *Trading Venue* and so the reporting parties are not be required under SFTR to report the creation and termination of a prior repo but, in their reports of the cleared repos, they still have to report:

- *Table 2, field 2, Report Tracking Number* = [*UTI* of prior repo]

In the unlikely event that a repo traded on a *Trading Venue* and sent to a *CCP* for same-day clearing faces a delay in clearing until the following working day, the parties will have to report a prior repo and its termination.

However, in the case of Eurex Repo Select Invest, which is part of the Eurex Repo GC Pooling (GCP) market, the purchase leg of tom/next (TN) repos is settled at the time of clearing by the CCP and not on the transaction date. Accordingly, under Article 2 of the RTS on transaction reporting, because Select Invest is cleared by novation, the parties should report the creation of a prior repo between themselves and then its termination and replacement with a cleared repo with the *CCP*. Consequently, they (but not the *CCP*) will have to report:

- *Table 2, field 2, Report Tracking Number* = [*UTI* of prior repo]

8.2.1.5 Repos which are:

- executed on a Trading Venue
- cleared by open offer
- against collateral allocated against net exposure
- managed by a tri-party agent

See sample report 2.18.

This is the type of repo is executed on Eurex Repo and cleared by Eurex Clearing (except for Eurex Repo's Select Invest , which is cleared by novation). According to ESMA's Final Report of January 2020, for repos cleared on an open offer basis, it is not necessary to create and terminate a prior repo and therefore there is no reason to report *Table 2, field 2, Report Tracking Number*. However, the Validation Rules contradict the Final Report in that the *Report Tracking Number* is mandatory for all cleared repos (where *Table 2, field 5, Cleared* = TRUE). Consequently, the only European CCP still offering open offer, Eurex Repo, will be generating *UTIs* to be used as *Report Tracking Numbers* for all repos cleared by Eurex Clearing, including all repos transacted on Select Invest. In practice, therefore, the same treatment applies as in the previous case (where the *CCP* clears by novation), although with one remaining difference. ESMA's draft Guidelines of May 2019 require that *Table 2, field 6, Clearing Timestamp*, should be equal to *Table 2, field 12, Execution Timestamp*, for all repos cleared by a *CCP* by open offer (as opposed to novation) (p.84, para.240(c)).

8.2.2 Reporting margin given to and received from CCPs by Clearing Members and between Clearing Members and clearing clients

Parties are required to make a *CCP* margin update report under SFTR which is separate from the reporting of loans or collateral. The data fields for margin update reports are set out in *Table 3* of the RTS and ITS on transaction reporting. Similar to collateral and re-use update reports, margin update reports should measure the total outstanding balance of margin assets held by each party at the end of each working day and report these balances on the next working day, if they are different from the previous report. *Table 3, field 2, Event Date,* for margin update reports is supposed to be as of the actual settlement date. In practice, however, parties will often not know whether deliveries of securities have settled or failed until the deadline for reporting by T+1 has passed. Accordingly, it is recommended that parties base margin update reports on the contractual or intended date of settlement, in other words, perfect settlement should be assumed. Failed deliveries should be removed from reported balances when known but it is recommended that corrected balances are carried forward to the next report and corrections (*Table 2, field 98, Action Type = CORR*) are not made retrospectively to previous report. This approach has been confirmed by ESMA in its final Guidelines of January 2020. See recommendation 9.2.

Margin reports are required from *CCPs* and their *Clearing Member*. In addition, where a repo is agreed between two entities who are not *Clearing Members* of a *CCP* and then submitted for clearing post trade, for which purpose the entities use *Clearing Members* to access the *CCP*, the entities (which can be described as "clearing clients") and the *Clearing Members* are also required to report the margins transferred between themselves (see pp.51-52, para.153, of ESMA's Final Report, Repo Scenario 4).

Margin reports identify the various parties involved in margining:

- *Table 3, field 4, Reporting Counterparty* = [LEI]
- *Table 3, field 6, Other Counterparty* = [LEI (either CCP & *Clearing Member* or *Clearing Member* & clearing client)]
- *Table 3, field 3, Report Submitting Entity* = [LEI]
- *Table 3, field 5, Entity Responsible for the Report* = [LEI]

Each reporting party also reports:

- *Table 3, field 8, Initial Margin Posted* [to the *CCP* by a *Clearing Member* or to the *Clearing Member* by a client] or
- *Table 3, field 12, Initial Margin Received* [by the *CCP* from a *Clearing Member* or by the *Clearing Member* from a client] and
- *Table 3, field 10, Variation Margin Posted* [by one party to the other] or
- *Table 3, field 14, Variation Margin Received* [by one party from the other] and
- *Table 3, field 16, Excess Collateral Posted* or
  Table 3, field 18, Excess Collateral Received (that is, any excess of posted margin over the net exposure being collateralized) and
- *Table 3, field 7, Portfolio Code*

Note that, according to ESMA's Validation Rules, each margin update report should be identifiable by a unique combination of the following fields:

- *Table 3, field 4, Reporting Counterparty*
- *Table 3, field 6, Other Counterparty*
- *Table 3, field 7, Portfolio Code*

There will be identical variation margins being given by a *CCP* to one *Clearing Member* and being received by the *CCP* from the other. *CCPs* will also hold an initial margin from each *Clearing Member*. *Clearing Members* will post an initial margin to *CCP* but will not receive one from the *CCP*. However, *Clearing Members* will likely take initial margins from clearing clients.

Where margin is given in cash made up of several currencies, and/or given in securities made up of several different issues, only a single value (for all cash paid and all securities delivered) should be reported and this should be denominated in the same currency. This is in contrast to collateral updates (see recommendation 9.3). *CCPs* will report single amounts of both types of margin and any excess collateral, all converted into one currency, for *Clearing Members* to use in their reports and will use these numbers in their own reports to the trade repository. This approach is consistent with the reporting of *CCP* margin in EMIR (see the EMIR Q&A of 14 December 2017, p.77, question & answer 3(a)). When the netting set to which the margin applies includes derivatives, the CCP must use the same currency of denomination as applied in EMIR reports of those derivatives (final Guidelines of January 2020, p.184, para.393).

In the case of LCH, initial margin includes additional margins against concentration, wrong-way and other specific risks.[90] Only total initial margin will be reported by LCH to its *Clearing Members* and only this total needs to be reported to the trade repository.

In the case of initial margin or excess collateral that has been provided in the form of securities, *CCPs* will be reporting the market value without deducting haircuts (in line with the reporting of the collateral market value of the underlying transactions and the reporting rules for *CCP* margins under EMIR).

Eurex Clearing argues that it does not give or take variation margin on cleared repos. However, it does give or take an amount called a Current Liquidation Margin. This appears to be analogous to variation margin. Nevertheless, Eurex Clearing proposes to report only initial margin. Users of Eurex Clearing should consult with the CCP on the appropriate method of reporting margin.

Nasdaq Clearing also not reporting variation margin separately, on the grounds that calls for variation margin (termed "Market Value") are composite amounts potentially covering positions in forwards, futures, options and cash transactions as well as repos. It will instead include "Total Margin Requirements" in reported initial margin. Where a party has signed up to an "auto-repay"

[90] Initial margin at LCH is supplemented by Additional Margins: Bid/Offer Spread Risk Margin, Concentration Risk Framework Margin, Credit Risk Margin, Default Fund Additional Margin, Idiosyncratic Risk Margin, Open Interest Margin, Settlement Liquidity Risk Margin, Sovereign Risk Framework Margin, Special Bond Margin and Wrong-Way Risk Margin. Variation Margin at LCH includes standard variation margin plus Coupon Margin, Delivery Margin, GC Price Discrepancy Margin (GC financing facilities only) and, for convenience, Price Alignment Interest.

facility at a *CCP*, there should never be any excess cash collateral to report but there may still be excess security collateral.

Margins do not include default fund contributions or commitments. The references to initial margin and variation margin in the Validation Rules are quite specific. Where a new *Clearing Member* is building up margin at a *CCP* in advance of clearing repos, which means that, for the moment, it has no positions at the *CCP*, these advance margins should not be reported as *Excess Collateral*. Instead, they should be treated as assets in the custody of the *CCP*, which should not report them as margin received until the first repos for that member are cleared at the *CCP*. See ESMA's final Guidelines of January 2020 (p.25, para.109).

Margin thresholds or minimum transfer amounts applied to variation margins should not be reported. There is anyway no field for doing so.

When making its first margin report to a trade repository for a particular portfolio (with its own *Portfolio Code*), a reporting party should report:

- *Table 3, field 20, Action Type* = NEWT

All subsequent margin update reports related to a *Portfolio Code* should report:

- *Table 3, field 20, Action Type* = MARU (margin update)

A margin update report (*Table 3, field 20, Action Type* = MARU) should be triggered by any change, no matter how small, in any reporting field compared to the previous report. But regardless of how many fields change, a new margin update report must report all required fields, even those that have not changed since the previous report. In other words, margin reporting should not just be of "deltas". See recommendation 9.5.

When an individual security ceases to be used as margin, there is no need to include its ISIN and a zero value in the subsequent margin update report, as a new report will automatically overwrite the previous report held by the trade repository. The same applies to cash given or taken in a particular currency.[91]

See sample reports 6.1 and 6.2 for examples of margin reports by *Clearing Members* of a *CCP* and clearing clients.

A *CCP* may clear both SFTs and cash transactions, and may therefore require initial margin that covers the risks of both types of transaction and variation margins that reflect the profit or loss on

[91] There is a remote possibility, for portfolios of repo transacted on a GC financing facility or managed on a tri-party basis by JP Morgan (and therefore collateralized on a net exposure basis) and for variation margins (which are also calculated on a net exposure basis), that the outstanding value of margin given or taken could fall to zero. But all data fields should not be left blank, as trade repositories will assume that the previous report still describes the outstanding margins. If this happens, it is recommended that parties submit a "token zero report" to indicate to the trade repository that margining has ceased. It is recommended that this token zero report would be limited to two collateral fields:

- *Table 3, field 8, Initial Margin Posted* = [0]
- *Table 3, field 9, Currency of Initial Margin Posted* = [EUR]

both. In such a case, the composite initial and variation margins should be reported, as it would be impracticable to decompose the margins.[92]

[92] There is also a precedent for reporting margin that applies jointly to SFTs and other products in the case of cross-product netting (see recommendation 9.11).

8.2.3 Substitution of collateral in CCP-cleared repos

In the case of CCP-cleared repos, at least one major European CCP does not provide a mechanism for the substitution of collateral by means of a modification in the terms of a transaction. However, a member of this CCP is able to replicate the substitution of collateral (collateral A) on an existing transaction (transaction 1) with new collateral (collateral B) by:

- offsetting transaction 1 with a new opposite but otherwise identical transaction (transaction 2)
- executing another new transaction (transaction 3) which is identical to transaction 1 in every respect except that it is against collateral B.

In order to report the above method of substitution under SFTR, a party should:

- report transaction 2 as a new transaction (*Table 2, field 98, Action Type* = NEWT) with a new *Table 2, field 1, UTI,* and the CCP as Table 2, field 11, Other Counterparty
- report transaction 3 as a new transaction with a new *Table 2, field 1, UTI,* and the CCP as *Table 2, field 11, Other Counterparty.*

Note that transactions 1 and 2 should not be terminated because they continue to exist until their common maturity date. Repo CCPs do not net and extinguish offsetting transactions (as is the case with derivatives).

In the case of the fixed-income CCPs operated in the US by the Depository Trust and Clearing Corporation (DTCC), which includes the Fixed Income Clearing Corporation (FICC), there is a collateral substitution facility, which means that substitution would be reported as a modification (*Table 2, field 98, Action Type* = MODI).

See recommendation 9.8.

8.2.4 Rule book names to be used in field 2.10

The following names have been provided by CCPs for the reporting of their rule books in *Table 2, field 10, Other Master Agreement Type*. Note that the names should be reported without the use of spaces (the Validation Rules specify only alphanumeric characters). Note that some trade repositories allow spaces as an alphanumeric character and some do not.

BME Clearing	BMECLEARINGFIXEDINCOMEGENERALCONDITIONS
Eurex Clearing AG	EurexClearingConditions
LCH Ltd	LCHLtdRepoRulebook
LCH SA	LCHSARepoRulebook
Nasdaq Clearing AB	NASDAQCLEARINGABRULEBOOK

In the case of FICC, ICMA recommends FICCGSDRULEBOOK.

Recommendation 1: Given that *CCP* rule books are updated frequently, it is recommended that *Table 2, field 11, Master Agreement Version*, should not be filled in.

Recommendation 2: If a repo is transacted without the intention of clearing it at a CCP but is subsequently submitted for clearing (after the transaction date), no prior repo should be assumed.

Recommendation 3: Should a *CCP* reject or fail to register a transaction, the parties should report an error (EROR).

Recommendation 4: Portfolios and *Portfolio Codes* for the purpose of SFTR margin reports should be defined in terms of all the cleared transactions covered by the same initial margin.

Recommendation 5: Where parties report a *Portfolio Code*, they should use exactly 52 characters.

Recommendation 6: Where parties have to report an EMIR portfolio code in SFTR reports of cleared repos, they need to ensure that their EMIR code has 52 characters to conform to SFTR requirements.

Recommendation 7: A *Return Tracking Number (RTN)* should be generated and reported for all types of cleared repos, even those cleared by open offer. An *RTN*, like a *UTI*, should not include any special characters.

Recommendation 8: When an individual security ceases to be used as *CCP* margin, there is no need to include its ISIN and a zero value in the subsequent margin update report, as a new report will automatically overwrite the previous report. The same applies to cash given or taken in a particular currency. But if the outstanding value of margin given or taken falls to zero, a "token zero report" will be necessary.

Recommendation 9: Collateral provided to a CCP in advance of the clearing any repos should not be reported.

8.3 Who has to generate a Report Tracking Number (RTN) and who has to report one and when (field 2.2)?

Table 2, field 2, Report Tracking Number, is the *UTI* of a repo that has been submitted by the two parties to a *CCP* that clears by "novation".[93] [94] The repo which is submitted for clearing to the *CCP* is called a "prior repo". The *RTN* of a prior repo is included in the report of the cleared repos submitted by the parties alongside the *UTIs* of the cleared repos.

Note that the Validation Rules are confused about whether the RTN can or cannot include special characters. It is therefore recommended that special characters are not used.

While field 2.2 is not a matching field, in contrast to the other *UTI* field, given the purpose of the *RTN*, it is recommended that parties agree a unique RTN for each prior repo.

If a repo is submitted to a *CCP* that clears by "open offer", according to ESMA's draft Final Report of March 2017, no prior repo is assumed to exist and so there is no *RTN*.[95] However, the Validation Rules make the reporting of an *RTN* conditional on *Table 2, field 5, Cleared* = TRUE, with no exemption for repos cleared by open offer. Accordingly, despite the draft Final Report, parties should report an *RTN* for all cleared repos, including those cleared by open offer.[96]

Upon registration by a *CCP* that clears by novation, unless a repo has been executed on a *Trading Venue* and cleared the same day, the prior repo is reported by the parties as being created (*Table 2, field 98, Action Type* = NEWT) and then immediately terminated (*Table 2, field 98, Action Type* = ETRM) and replaced with cleared repos, which are reported as new transactions (*Table 2, field 98, Action Type* = NEWT), each with a new *UTI*. Both parties also report the *UTI* of the prior repo as the *RTN* in the reports of the cleared repos.

Note that, for the purposes of SFTR reporting, it has to be assumed that a prior repo exists, even where a repo is agreed between two parties on condition that it is successfully registered by the *CCP*, in other words, even if it is agreed by the parties that there will be no contract between them of the *CCP* refuses or fails to registers the transaction.

In the case of OTC repos matched on Euroclear's ETCMS facility ahead of registration with a CCP, Euroclear recommend that the UTI and RTN of the prior repo should be composed independently by the parties from (1) Euroclear Bank's LEI, (2) the proprietary reference provided to the parties by Euroclear Bank and (3) a sufficient number of zeroes to pad the UTI out to 52 characters.

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[93] See ESMA draft Final Report of March 2017, page 72, footnote 19, and the Annex to the RTS (pages 5-6, Table 2, No.2, Report tracking number), which says "In the case of transactions resulting from clearing, the prior *UTI*, namely the *UTI* of the original bilateral transaction shall be reported".

[94] "Novation" is a method of clearing which replaces a single contract between two parties with two cleared contracts, one between the *CCP* and each party.

[95] "Open offer" is a method of clearing where the *CCP* stands ready to unconditionally register repos agreed between its members as soon as it is submitted with the result that a transaction is only ever executed between the *CCP* and the members and there is never any contract directly between the members.

[96] It is the declared intention of Eurex Repo to generate *UTIs* that will serve as an RTN for transactions executed on all its facilities despite most of them being cleared by Eurex Clearing on an open offer basis (this is in addition to generating the *UTI* of the cleared transactions).

However, the parties can agree to dispense with the zeroes, as UTIs do not have to be 52 characters exactly. Euroclear Bank' LEI is 549300OZ46BRLZ8Y6F65. See recommendation 3.1.3.

Summary --- reporting prior repos

A prior repo exists as a precursor to all repos which a *CCP* clears by novation rather than open offer. Therefore, a prior repo should not have to be reported if it was cleared by a *CCP* on an open offer basis but note the contradiction, discussed above, with the Validation Rules, as a result of which, it is recommended above that *RTNs* are always included in the reports of cleared repos.

Nor does a prior repo have to be reported (even though it is assumed to exist) for a repo executed on a *Trading Venue* and cleared by a *CCP* on the same day (T+0).

Summary --- reporting RTNs

As noted above, although a repo cleared by open offer is assumed not to have a prior repo and therefore not to have an *RTN*, the Validation Rules make the reporting of an *RTN* conditional on *Table 2, field 5, Cleared* = TRUE, with no exemption for repos cleared by open offer. Accordingly, as recommended above, parties should report an *RTN* for all cleared repos, including those cleared by open offer

In the case of a repo executed on a *Trading Venue* and cleared on the same day (T+0), although its prior repo does not have to be reported as a new transaction by the members of a *CCP* who agreed it, the *RTN* for that prior repo (its *UTI*) still has to be included in the reports of the subsequent cleared repos by the members. That *RTN* has to be generated by the *Trading Venue*.

If parties have traded a repo on a GC trading facility provided by a *Trading Venue* and cleared that repo on a *CCP*, they would expect the *Trading Venue* to provide a *UTI* for the whole GC repo and the *CCP* to provide a *UTI* to each party in respect of the cleared repos, notwithstanding the allocation of several securities as collateral by the seller.[97] However, in practice, *CCPs* are currently not able to recognize the several securities allocated by a *Trading Venue* to a GC repo as components of the same GC repo. Instead, *CCPs* treat each security as the collateral for a separate repo and will accordingly generate several *UTIs*. *CCPs* are unable to correct this problem before the SFTR Reporting Start Date (RSD, also known as the "go-live date"), so *Trading Venues* are working to mitigate the problem by generating a *UTI* to be used as an *RTN* on each security allocated in a *CCP*-cleared GC repo on their platforms. Parties trading *CCP*-cleared GC repos on a *Trading Venue* will have to be able to allocate each security selected by the sellers to a separate report and *RTN*.

If a repo is not executed on a *Trading Venue* or is not cleared on the same day (T+0) or both, the prior repo should be reported as a new transaction by the original parties and then reporting as

[97] GC trading facilities on *Trading Venues* allow users to trade against a wide range of pre-agreed collateral baskets. Once a transaction is agreed, the seller has a limited time period (usually one hour) in which to select eligible securities to deliver using an allocation application provided by the *Trading Venue*. Where these GC trading facilities are cleared by a *CCP*, the *Trading Venue* will automatically inform the *CCP* of the seller's collateral allocation.

being terminated and replaced by cleared repos. And in their reports of the cleared repos, the parties should report the *RTN* of the prior repo (its *UTI*). The *RTN* for a prior repo not executed on a *Trading Venue* will probably be generated by the parties (see the UTI Generation Flowchart provided by ESMA in its Final Report, pp.77-78, Figure 1) --- see recommendation 3.1.

A *CCP* does not have to include the *RTN* in its reports of cleared repos.[98]

The reporting requirements for prior repos and *RTNs* are summarized in the following table.

<table>
<tr><th>execution venue</th><th>date of clearing</th><th>is there a prior repo?</th><th>prior repo to be reported?</th><th>RTN to be reported?</th><th>RTN to be generated by:</th></tr>
<tr><td rowspan="2">Trading Venue</td><td>open offer (T+0)</td><td>no</td><td rowspan="2">no</td><td>not according to the Final Report but an RTN is required by the Consolidated Validation Rules</td><td>n/a</td></tr>
<tr><td>same day (T+0) novation</td><td rowspan="3">yes</td><td rowspan="3">by both parties but not CCP</td><td rowspan="2">Trading Venue</td></tr>
<tr><td rowspan="2">not same day</td><td rowspan="2">by both parties</td></tr>
<tr><td>OTC</td><td>same day (T+0) novation</td><td>see ESMA UTI Generation Flowchart</td></tr>
</table>

See:

- sample reports 2.14 to 2.18 for examples of the recommended reporting of *RTNs*
- sample report 2.17 for a repo executed on a *Trading Venue* and cleared same day
- sample report 2.18 for a repo cleared by open offer
- sample reports 2.15 & 2.16 for the other types of CP-cleared repo.

Note that *Trading Venues* outside the EU or UK are not obliged to provide *UTIs* on prior repos to EU or UK entities. In this case, the obligation to generate a *UTI* falls back on the parties.

Recommendation 1: Special characters should not be used in the construction of an *RTN*.

Recommendation 2: Despite not being a matching field, parties should agree a unique *RTN* for each prior repo.

[98] *CCPs* never have to report *RTNs* according to the draft Final Report of March 2017 (p.73, para.228). This is contradicted in para. 232 but the latter is assumed to suffer from a drafting mistake.

8.4 What Master Agreement Type should be specified for OTC repos submitted to CCPs for clearing post trade (field 2.9)?

Repos are often negotiated in the OTC market (directly or via a voice-broker) and subsequently submitted to a *CCP* for clearing.[99] OTC repos that are to be cleared post trade can be agreed on the basis that, if the transaction is not accepted by the *CCP*, it will be continued as a bilateral contract. Alternatively, the transaction can be agreed on the basis that a contract will only ever be created if the transaction is registered by the *CCP* and there will therefore only ever be contracts between each party and the *CCP*, and never directly between the parties. In the first case, post-trade clearing means that there will be a bilateral contract which is subsequently novated by the *CCP*. In the second case, there is never a bilateral contract to be novated.

Under SFTR, if a repo is negotiated in the OTC market, as defined under SFTR, and subsequently submitted to a *CCP* for clearing, the parties must report a "prior repo" between themselves, which is then reported as being terminated and replaced by two cleared repos, one between each party and the *CCP*. However, if the transaction is contingent upon registration by the *CCP*, the prior repo is a fiction in that it is a report of a contract that never existed. ESMA nevertheless requires the prior repo to be reported. But given that there is never a contract actually in place between the parties, it would be incorrect to fill in *Table 2, field 9, Master Agreement Type,* with the agreement normally used by the parties, as any such master agreement between the parties would never have applied. In addition, some parties who transact OTC repos to be cleared post trade do not have bilateral master agreements in place with each other and trade only on the basis of their agreements with the *CCP*. As *Master Agreement Type* is a matching field, it is important that parties adopt a common approach. It is recommended that, where OTC repos are agreed that are contingent upon acceptance by a *CCP*, the report of such prior OTC repos should include:

- *Table 2, field 9, Master Agreement Type* = OTHR
- *Table 2, field 10, Other Master Agreement Type* = UNDOCUMENTED

Once submitted to the CCP, reporting follows recommendation 8.2 above.

See sample reports 2.15 and 2.16 for examples of OTC repos cleared post trade.

Recommendation: The prior repos of OTC transactions which are conditional on post-trade *CCP*-clearing should be reported as undocumented.

[99] Note that SFTR adopts a narrower definition of OTC transactions than that traditionally applied in the market. The traditional definition of OTC includes both direct and voice-brokered transactions. Under SFTR, as implemented in the RTS and ITS, voice-brokers operating as MTFs or OTFs are classed as *Trading Venues*. See recommendation 4.4.

8.5 What is the Execution Timestamp for a repo executed on a Trading Venue and cleared on a CCP (field 2.12)?

In the case of repos that are executed in the OTC market and then submitted to a *CCP* for clearing, there will be an interval between bilateral agreement and clearing, which means there will be an interval between *Table 2, field 12, Execution Timestamp*, as reported by the parties and the same field reported by the *CCP*.

Usually, the delay between *Timestamps* will be very short. But in exceptional circumstances, there could be a lengthy delay that exceeds the matching tolerance of trade repositories for this field, which is one hour, in which case, the reports of the cleared repo will not be matched by the trade repository. Firms should be aware of and decide how to deal with this possibility. Where the trade has been agreed on a *Trading Venue*, the *Trading Venue* should have appropriate policy and procedures in place. Such policies and procedure should be designed in co-operation with the *CCPs*.

Recommendation: Reporting parties, *Trading Venues* and *CCPs* should have policies and procedures in place to deal with the possibility that the post-trade clearing of a repo may take longer than the one hour tolerance allowed in the matching of *Execution Timestamps*.

8.6 How to report repos cleared on the GCF facility of FICC

GCF (General Collateral Financing) is a GC financing facility offered in the US by FICC (Fixed Income Clearing Corporation), which is the fixed-income *CCP* operated by DTCC (Depository Trust and Clearing Corporation). The tri-party management function that is part of the GCF facility is provided by Bank of New York Mellon.

FICC should be reported as the *CCP* by users of GCFF who are subject to SFTR transaction reporting requirements. Notwithstanding that FICC is not authorized under EMIR, because the US regulatory regime governing FICC has been recognized as equivalent to EMIR by the European Commission, FICC is recognized as a *CCP* in the EU. FICC also has the same status in the UK. Moreover, the definition of financial counterparties in Article 3(3) of SFTR --- which are to be reported in *Table 1, field 4, Nature of the Reporting Counterparty*, and *Table 1, field 5, Sector of the Reporting Counterparty* --- includes "a third-country entity which would require authorisation or registration in accordance with the legislative acts referred to in points (a) to (h) if it were established in the Union". Point (g) defines a *CCP*. On this basis, FICC is a reportable entity under SFTR.

Repos cleared on GCF are transacted through interdealer brokers (IDBs). These are matched principals who give up the details of brokered repos to FICC. Neither the IDBs nor FICC are subject to SFTR and will therefore not report GCF repos to the trade repository. Consequently, parties in the EU or UK clearing on FICC will have to make one-sided reports.

Because IDBs are matched principals, they cannot be reported in *Table 1, field 15, Broker* (ESMA's Final Report of March 2017 specifically excludes matched-principal brokers from the definition of *Table 1, field 15, Broker* --- see recommendation 4.3). It is also likely that IDBs cannot be reported in *Table 2, field 8, Trading Venue*, as they are, in fact, the counterparty prior to clearing and so should be reported in *Table 1, field 11, Other Counterparty*.[100]

When an overnight GCF repo or a GCF repo for value today (purchase leg settlement T+0) is submitted to FICC for clearing, only the repurchase leg is submitted. The purchase leg is settled directly between the IDB and its counterparty.[101] To report an overnight GCF repo submitted to FICC for clearing, the following steps are recommended:

- The repo with the IDB is reported as a "prior repo". This is assumed to be required because the repo has not been transacted on a *Trading Venue*.
- The prior repo is then reported as reported as being terminated on the same day (*Table 2, field 98, Action Type* = ETRM).
- A new cleared repo with FICC is reported with *Table 2, field 37, Principal Amount on Value Date* = [zero]

The use of a report with a purchase price of zero but a repo rate and a repurchase price may seem odd but it is the most logical way of reporting a repo in which only the repurchase leg is cleared, assuming that the regulator wishes the cleared repo to be reported.

[100] Should a repo be transacted on a venue outside the EU that does not become the counterparty, this venue should be reported as a Trading Venue in field 2.8 (see ESMA Final Report of January 2020, p.64, para.391).
[101] Currently, FICC cannot clear same-day transactions. This may change in 2020.

Reports of GCF repos should include the following fields:

- *Table 1, field 11, Other Counterparty* = [LEI of FICC]
- *Table 2, field 1, Unique Transaction Identifier* = [*UTI* generated by or for the *Reporting Counterparty* for its cleared repo with FICC]
- *Table 2, field 2, Report Tracking Number* = [*UTI* generated by or for the *Reporting Counterparty* for its repo with an IDB]
- *Table 2, field 7, CCP* = [LEI of FICC]
- *Table 2, field 37, Principal Amount on Value Date* = [zero]
- *Table 2, field 38, Principal Amount on Maturity Date* = [repurchase price guaranteed by FICC]
- *Table 2, field 73, Collateralization of Net Exposure* = TRUE
- *Table 2, field 96, Collateral Basket Identifier* = NTAV (assuming FICC notifies party of collateral allocation too late to report to a trade repository on T+1)
- *Table 2, field 97, Portfolio Code* = [code generated by or for the *Reporting Counterparty*]

However, in the event that an IDB fails to deliver collateral under a GCF repo, FICC reserves the right to assume responsibility for delivery of the purchase leg, in which case, it will also become *Table 1, field 11, Other Counterparty*. Should this happen, after terminating the prior repo, the reporting party should report a normal *CCP*-cleared repo with the original purchase price.

In the case of a GCF repo with a purchase leg settling in the future (T+1 or later), FICC clears both the purchase and repurchase legs. Reporting this type of GCF repo therefore essentially follows recommendation 8.2.

Note that US IDBs are not subject to SFTR, so the *UTI* of the prior repo to be used as the *Report Tracking Number (RTN)* of the cleared repo will have to be generated by the EU or UK counterparty.

As with clearing by other *CCPs*, clearing by FICC does not subsume individual transactions into a single position. However, FICC does collateralize GCF repos on a net basis, that is, a portfolio of GCF repos against the same collateral basket is collateralized by a single pool of collateral. Parties should report the net collateral outstanding against each portfolio of GCF repos in end-of-day collateral update reports (*Table 2, field 98, Action Type* = COLU) and cumulative outstanding variation margins given to or taken from FICC (in *CCP* margin reports under *Table 3, field 20, Action Type* = NEWT or MARU, depending on whether a report is, respectively, the first or a subsequent margin report).

DTCC divides transfers of net collateral into "shapes" of USD 50 million in nominal value for the purpose of delivery. Shapes do not represent separate repo contracts and will share the same *UTI*. Shapes should therefore be ignored for the purposes of reporting under SFTR (see recommendation 9.14).[102]

See also recommendation 8.9.

[102] Parties to GCF repos are able to decrease the size of their positions with FICC and are able to do so by cancelling individual shapes. Such a change should be reported as a modification of the repo of which the shape forms part (*Table 2, field 98, Action Type* = MODI).

Recommendation: Overnight repos and repos for same-day value transacted on the US GCF facility should be reported as "prior repos" with the IDB that intermediates the transaction. This prior repo should then be reported as terminated and replaced by a cleared repo with FICC but with a purchase price of zero.

8.7 Which CCP is reported where a repo is cleared across two CCPs linked by an interoperability arrangement (field 2.7)?

Interoperability exists where a *Trading Venue* allows more than one *CCP* to clear a transaction executed on that venue by the same two parties. This allows *Clearing Members* of different *CCPs* to transact cleared repos on the same venue. But, where interoperable clearing is used, the question arises when the *CCPs* themselves report, as to which of them should be reported in *Table 2, field 7, CCP*.

In its draft Final Report of March 2017 (p.76, para.243), ESMA states, "the two CCPs that have the interoperability arrangement in place should agree on the UTI generation responsibility". Currently, there is only one *CCP* interoperability arrangement in the EU for the clearing of repo, which is that between LCH SA in France and CC&G in Italy. It has been proposed by these two *CCPs* that the convention should be for them to fill in field 2.7 with the LEI of the *CCP* which is the buyer. It is recommended that *CCPs* in future interoperability arrangements should follow this convention.

To be clear, this recommendation applies only to reports by the *CCPs*, not report of *CCP*-cleared repos by *Clearing Members* or their clearing clients.

Recommendation: Where a repo is being cleared across two *CCPs* linked by an interoperability arrangement, in field 2.7 of their reports, both *CCPs* should report whichever of them is the buyer.

8.8 What are "give-ups and take-ups in the execution and clearing chain"?

In its Final Report of January 2020 and draft Guidelines of May 2019 (p.63, para.386, and p.17, para.44), ESMA re-iterated that "give-ups and take-ups in the execution and clearing chain" of CCP-cleared repos are intermediate and transitory, and are therefore not SFTs and should not be reported under SFTR. Some confusion has arisen about the nature of these give-ups and take-ups, in particular, whether the terms referred to the post-trade submission of transactions negotiated in the OTC market to a CCP for clearing and the concept of "prior repos". This is not the case.

In fact, give-ups and take-ups do not happen in SFTs. They are a feature of the derivatives market. For example, a derivative may be transacted between a party who is not a member of a CCP and a broker who is a member, where the party wishes its transaction to be with a member of a CCP but not the transacting broker.[103] This is because the party prefers all its derivatives positions to be against another member of the CCP. Consequently, at the request of the party, the transacting broker "gives up" its side of the transaction to the clearing broker, who "takes up" the transaction, with the transfer taking place through the process of novation.

This process does not happen in the repo or other SFT markets. In the repo market, parties who are not members of a CCP can transact with clearing members (for the same reasons as in the derivatives market) but the transactions are not novated to other clearing members. In other words, there is no "give-up" or "take-up".

[103] The party is not a member of the CCP but there are benefits to transacting with a broker which is a member. These include protection against a default by the broker, in which circumstance, its positions will be ported to another broker who is a member of the CCP.

8.9 What is the Clearing Timestamp for a repo executed on a Trading Venue and cleared on a CCP (field 2.6)?

ESMA's draft Guidelines of May 2019 required that *Table 2, field 6, Clearing Timestamp*, should be later than *Table 2, field 12, Execution Timestamp*, for all repos cleared by a *CCP* by novation (as opposed to open offer, for which the two timestamps should be the same) (p.84, para.240(c)), although ESMA's Validation Rules also allow the *Clearing Timestamp* to be set equal to the *Execution Timestamp*. Requiring the *Clearing Timestamp* to be later than the *Execution Timestamp* is incorrect in the case of the *CCP*, as it only becomes a party to a transaction when it clears that transaction, which means the timestamps reported in fields 2.6 and 2.12 by the *CCP* should be the same. However, in practice, this would mean that the *Execution Timestamp* of the *CCP* would differ from the *Execution Timestamp* of the *Clearing Member*, given that the latter comes from the *Trading Venue*, which is not allowed because timestamps are matching fields, albeit within a tolerance of one hour. Consequently, *CCPs* will have to use the *Execution Timestamp* of the *Clearing Member* as their own.

In the case of repos cleared in the US by FICC, no *Clearing Timestamp* is provided by the CCP. In this case, it is recommended that parties should use the *Execution Timestamp* for the *Clearing Timestamp*. Although this recommendation contradicts ESMA's Guidelines of January 2020, it is consistent with ESMA's Validation Rules and is the only realistic option.[104]

Recommendation: In the case of repos cleared in the US by FICC, parties should use the *Execution Timestamp* for the *Clearing Timestamp*.

[104] This approach is also used by one of the CCPs where they receive no *Execution Timestamp* or one is received that is later than the *Clearing Timestamp*.

8.10 What is the Execution Timestamp for a repo cleared on a CCP post trade (field 2.12)?

If the terms of a repo are agreed between two parties in the OTC market and then submitted to a CCP for clearing, whether or not a contract commitment is conditional upon successful registration by the CCP, the parties are required under SFTR to report a "prior repo", then report its termination and finally report the cleared repos with the CCP. See recommendation 8.2. The question arises as to *Table 2, field 12, Execution Timestamp*, for the cleared repos. Strictly-speaking, this should be equal to *Table 2, field 6, Clearing Timestamp*, as this is moment when contracts with the CCP are formed. However, as explained in recommendation 8.9, ESMA's draft Guidelines of May 2019 required that *Table 2, field 6, Clearing Timestamp*, should be later than *Table 2, field 12, Execution Timestamp*, for all repos cleared by a *CCP* by novation.

In this case of a repo for which the terms are agreed between two parties in the OTC market and then submitted to a CCP for clearing, whether or not a contract commitment is conditional upon successful registration by the CCP, it is recommended that field 2.12 for any resulting cleared repos should be:

- if the parties match their submissions to the *CCP* at Euroclear Bank's ETCMS facility, the timestamp generated by ETCMS but, if this is later than the timestamp subsequently generated by the *CCP*, that timestamp less one second; or
- otherwise, the date and time of the agreement by parties --- in effect, the date and time of the prior repo.

Recommendation: In the case of a repo for which the terms are agreed in the OTC market with the intention of submitting the repo to a *CCP* for clearing, and whether or not the transaction was conditional upon successful registration by the *CCP*, field 2.12 for any resulting cleared repos should be either (1) the timestamp generated by ETCMS, if used for matching submissions to the *CCP*, or if this is later than the *Clearing Timestamp* subsequently generated by the *CCP*, the *Clearing Timestamp* less one second; or otherwise (2) the date and time of the agreement by parties in the OTC market --- in effect, the date and time of the prior repo.

9. Reporting life-cycle events

9.1 Can life-cycle events be reported as an early termination of an existing transaction and its replacement by a new transaction?

Because of operational limitations, some parties book unscheduled life-cycle events as early terminations of repos and their replacement with new transactions with changed terms. Examples include re-ratings, substitution of collateral and partial delivery of collateral. The same approach can be applied to the booking of scheduled life-cycle events, for example, floating-rate repos may be booked as a series of shorter-term repos with terms equal to the floating-rate period (so a one-year repo with a three-month repo rate might be booked as a series of four three-month repos). However, the parties do not actually terminate the existing contracts and create new ones. Accordingly, no new *Table 2, field 1, UTI*, is generated.

One problem with this approach is that a party's books and records would not reflect the contractual reality that determines their exposure to risk. Any reporting on this basis would therefore not be accurate. Another problem is that their counterparty might follow a different operational approach and simply modify the terms of the repo in their books and records. If a party reports a termination and new transaction, but its counterparty reports a modification, the reports will not match at the trade repository.

Life-cycle events do not legally terminate a transaction unless both parties expressly agree to do so.[105] One party cannot unilaterally terminate, other than in the case of an open repo. Given the uninterrupted continuation of the contractual relationship, as reflected in an unchanged *UTI*, it follows that, for the purpose of reporting under SFTR, parties who currently use an early termination and replacement mechanism to book life-cycle events internally will, in future, have to report such events as modifications and not as a combination of an early termination and a new repo (see ESMA's Final Report, p.60, para.363).

On the other hand, risk management mechanisms provided by the GMRA as an alternative mechanism to variation margining really do involve the early termination of a contract and its replacement with a new contract in which cash or collateral have been realigned to eliminate transaction exposure (respectively, called Repricing and Adjustment in the GMRA).[106] Use of these mechanisms will require reports of the termination of the existing transaction and the execution of a new transaction with a new *UTI*. But in order to use early termination and replacement instead of variation margining, the parties need to have expressly agreed to adopt Repricing or Adjustment. In practice, however, these approaches are not commonly used.

[105] The definition of life-cycle events used here excludes the right of parties under the GMRA to terminate repos if the other party is in breach of contract, eg should the other party fail to deliver collateral when due.

[106] Transaction Exposure is a term used in the GMRA to describe the difference between the current market value of the collateral in a repo and the current repurchase price, where the market value has been adjusted by any haircut or the repurchase price has been adjusted by any initial margin. Transaction Exposure measures the exposure that is included in the calculation of variation margin.

Where a life-cycle event has truly resulted in the early termination of an existing transaction and its replacement with a new transaction, gross settlement obligations should be generated. Settlement may be subject to technical netting, so that only net deliveries of securities or payments of cash actually take place, but the legal obligations of the parties would continue to be for gross amounts (in the event of a default by one of the parties during settlement, the net delivery or payment amounts could be unwound into their gross components).

Note that a roll-over from a maturing transaction into a new transaction should be reported only as a new transaction. As in the case of other maturing fixed-term transactions, there is no need to report *Table 2, field 14, Maturity Date*, for the transaction being rolled over.

Recommendation: A life-cycle event should be reported as a modification and not a combination of a termination and a new repo, unless there is an express contractual agreement between the parties to an early termination of the existing repo and its replacement with a new repo.

9.2 What Event Dates should be reported for life-cycle events (field 2.3)?

ESMA's Validation Rules define *Table 2, field 3, Event Date,* as the "date on which the reportable event…took place". The RTS on transaction reporting defines the *Event Date* as "the date for which the information contained in the report is provided" in the case of collateral updates (*Table 2, field 98, Action Type* = COLU), re-use updates (*Table 4, field 18, Action Type* = REUU) and margin updates (*Table 3, field 20, Action Type* = MARU).

Reports are required to be sent in chronological order according the Event Date.

Note that this recommendation describes the *Event Date* to be reported during the current reporting window (today or the previous working day). "Back-dated" reports (applicable to events before the current reporting window) are described in recommendations 9.22 and 9.23.

9.2.1 Collateral Update reports

The *Event Date* of a collateral update report that is retrospectively detailing the allocation of specific securities to a new repo (where the initial report gave *Table 2, field 96, Collateral Basket Identifier* = [basket ISIN] or NTAV) could be the transaction date (T) --- so as to be in line with the reporting of collateral in initial reports where the collateral is known in time to report by T+1 --- or the settlement date (S) --- so as to be in line with end-of-day collateral update reports. As it is desirable that the *Event Dates* of all collateral updates should follow the same rule, it is recommended to use the date as of which the balance of outstanding collateral is being measured, which means the settlement date (S) of the collateral being reported.

In the case of collateral updates, ESMA's draft Final Report of March 2017 (pp.100-101, para.294) states that the *Event Date* for the collateral allocation against a net exposure should be the actual settlement date of the collateral being reported. However, in practice, parties will often not know whether deliveries of securities have settled or failed until the deadline for reporting collateral by S+1 has passed. Moreover, in a repo, contractual obligations (including the accrual of repo interest) start on the purchase date and end on the repurchase date regardless of whether delivery takes place, so use of actual settlement would misrepresent the exposure of the repo.[107]

Accordingly, it is recommended that parties base collateral update reports on the contractual or intended date of settlement. In other words, it is recommended to assume perfect settlement. Failed deliveries should be removed from reported balances when known but it is recommended that corrected balances are carried forward to the next report and corrections (*Table 2, field 98, Action Type = CORR*) are not made retrospectively to the previous report. In order to be consistent, it is recommended that the *Event Date* in a collateral update report for a transaction-

[107] Note also that the marginal exposures that may arise from failed deliveries are mitigated by variation margining and remedies provided under master repurchase agreements including interest compensation and rights to terminate repos where the purchase leg has failed.

based collateral allocation should be reported in the same way as for collateral allocations against a net exposure as described above.

ESMA's final Guidelines of January 2020 (see Table 5 on p.26, para.116) have changed its guidance from the use of actual settlement date to "expected" settlement date, which is taken to mean contractual or intended settlement date.

See recommendation 9.3.

9.2.2 Re-use Update reports

In the case of re-use update reports, it would seem that the *Event Date* is also supposed to be the actual settlement date. This has been confirmed by ESMA in its final Guidelines of January 2020 (see Table 5 on p.26, para.116) in contrast to the guidance on collateral update and margin update reports (see above and below). But as for collateral update reports and for the same reason, it is recommended that, if it is impracticable to measure the outstanding balances of collateral re-use on the basis of actual settlement, the *Event Date* that is reported should be the contractual or intended settlement date, as for collateral and margin update reports. This means perfect settlement should be assumed and no retrospective correction made for settlement failures.

9.2.3 Margin Update reports

In the case of margin reports, as for collateral update and re-use reports, the *Event Date* was originally required to be the actual settlement date for initial margins, variation margins and excess collateral held or given by the *CCP*, a *Clearing Member* or the clearing client of a *Clearing Member*. But as noted for collateral update reports, ESMA's final Guidelines of January 2020 (see Table 5 on p.26, para.116) have changed its guidance on margin update reports from the use of actual settlement date to "expected" settlement date, which is taken to mean contractual or intended settlement date.

9.2.4 New transaction reports

In the case of a new transaction (*Table 2, field 98, Action Type* = NEWT), it would be problematic for both technical and substantive reasons to use the date of settlement (*Table 2, field 13, Value Date*) as the *Event Date*. The technical objection is that ESMA's Validation Rules specify that the *Event Date* has to fall in the period from and including the execution date to and including the reporting date. Given that most reporting is required by T+1, value dates of T+2 or later would be too late to be valid. The substantive objection is that the risk exposure created by a new transaction starts on the transaction date and it is exposure which SFTR seeks to measure. Accordingly, it is recommended that the *Event Date* for a new transaction should be the transaction date, which is part of *Table 2, field 12, Execution Timestamp*. This has been confirmed by ESMA in its Guidelines of January 2020 (p.26, Table 5). See recommendation 5.15.

However, NEWT reports are also required for a party's first report of *CCP* margins and its first collateral re-use report. Given that margin and re-use reports are of outstanding balances, it is recommended that the *Event Date* of these NEWT reports should be of outstanding balances as of the contractual or intended settlement date.

9.2.5 Modification reports

In the case of a modification of the terms of a transaction (*Table 2, field 98, Action Type* = MODI), the *Event Date* should generally be the date on which the modification takes effect. For example, in the case of a re-rate, the *Event Date* should be date on which interest starts to be calculated and accrue at the new repo rate rather than the date on which the re-rate was agreed. This has been confirmed in an example given by ESMA on p.107, paras.278-279, and Table 72 of its draft Guidelines of May 2019. However, there are two exceptions:

- when the maturity date of a fixed-term repo is brought forward to an earlier but still future date; or
- when an open repo is terminated for settlement in the future (ie T+1 or later).

In these two cases, a modification should be reported instead of a termination (*Table 2, field 98, Action Type* = ETRM) and the *Event Date* should be the date of the agreement or notice to terminate rather than the settlement date. This interpretation reflects the fact that a change of maturity date changes the exposure on a transaction immediately, whereas a same-day termination immediately closes the exposure --- see recommendation 9.4. Other types of modification will not change exposure until they take effect. This approach was confirmed by ESMA in its draft Guidelines of May 2019 (p.30, para.117, and p.81, para.233(b)), and in subsequent discussions. It has been reconfirmed in the final Guidelines of January 2020. However, these also carry contradictory statements (see paras.87, 96 and 97). As these contradictory statements are likely to be mistakes, the previous recommendation stands.

If a modification is reported more than one working day after the modification took effect (that is, after the reporting window for that event), the historic *Event Date* of that report means the trade repository will not update the Trade State Report for that *Event Date*, only the Daily or Trading Activity report for that date. In this case, ESMA requires (see Question 6 of ESMA's Q&A of 28 January 2021) that the reporting parties also submit a MODI report updating the latest Trade State Report, which means the *Event Date* of that report must be the same as the reporting data. This MODI report should contain the latest data for the transaction.

9.2.6 Termination reports

ESMA has indicated that the *Event Date* of the termination of a transaction (*Table 2, field 98, Action Type* = ETRM) should be the date on which the termination is actually settled and not, as previously indicated, the date on which the termination is contractually agreed. However, this guidance is incorrect. As explained above and in recommendation 9.4, *Action Type* = ETRM is used only where the settlement is intended to take place on the same day as the notice of termination (T+0). Where the intended settlement of termination takes place in the future (T+1 or later), the appropriate *Action Type* = MODI (see the previous section).

If parties are making a back-dated report of the termination of a repo, they should send a termination report (*Table 2, field 98, Action Type*= ETRM) with the *Event Date* equal to the historic *Termination Date*. Upon receiving such a report, the trade repository is required to update the latest Trade State Report for the relevant transaction and close the transaction record (see ESMA Q&A 7(c) and recommendation 9.23).

9.2.7 Correction reports

For a report correcting an erroneous data field in a previously submitted report (*Table 2, field 98, Action Type* = CORR), it is recommended that the *Event Date* should be the *Event Date* of the report to which the correction applies. This allows the chronological location of the report to be found.

9.2.8 Error reports

There is no *Event Date* for the cancellation of a report (*Table 2, field 98, Action Type* = EROR) as the report being cancelled should never have been made.

The recommended rules for *Event Dates* are summarized in the table below.

Action Type	**transaction or trade or execution date or date of agreement or notice**	**effective date or contractual or intended settlement date**	**Event Date of report being corrected**
COLU	for new repos	end-of-day reports	
MARU		X	
REUU		X	
MODI	event is termination in future	all other modifications	
ETRM	where termination is settled on the same day		
NEWT	all but first margin & re-use reports	for first margin & re-use reports	
CORR			X
EROR	n/a --- no *Event Date* for this *Action Type*		

Recommendation 1: The *Event Date* of a collateral update report that is retrospectively detailing the allocation of specific securities to a new repo should be the transaction date (T) of the repo.

Recommendation 2: The *Event Date* of a report should be taken to be the contractual or intended settlement date in the case of collateral or margin update reports and also, if the actual settlement date is impracticable, re-use update reports (*Table 2, field 98/Table 2, field 20/Table 4, field 18, Action Type* = COLU/REUU/MARU). Failed deliveries should be removed from reported balances when known and corrected balances should be carried forward to the next report but corrections to the previous report should not be reported retrospectively.

Recommendation 3: The *Event Date* of a new report (*Table 2, field 98, Action Type* = NEWT) should be the contractual or transaction date, except in the case of the first report of *CCP* margins or of re-use, for which the *Event Date* (*Table 3, field 2/Table 4, field 2*) should be the contractual or intended settlement date, as for collateral, margin and re-use updates.

Recommendation 4: The *Event Date* of a contractual modification should be the effective date of the modification (*Table 2, field 98, Action Type* = MODI), except where the modification is a change in the maturity date to another future date or a termination to be settled on a future date, in which case, the Event Date should be the date on that change has been agreed.

Recommendation 5: The *Event Date* of a contractual modification should be the effective date of the modification (*Table 2, field 98, Action Type* = MODI), except where the modification is a change in the maturity date to another future date or a termination to be settled on a future date, in which case, the Event Date should be the date on that change has been agreed.

Recommendation 6: The *Event Date* of a same-day termination (*Table 2, field 98, Action Type* = ETRM) should be the contractual or intended settlement date.

Recommendation 7: The *Event Date* of a correction (*Table 2, field 98/ Table 3, field 2/Table 4, field 2, Action Type* = CORR) should be the *Event Date* of the report being corrected.

9.3 Making collateral update (COLU) reports

SFTR requires reporting parties to report the substitution of collateral. To allow such reports, ESMA's Final Report introduced the concept of a collateral update report identified by *Table 2, field 98, Action Type* = COLU. Because the collateral of the same repo can be substituted several times during a day, the SFTR reporting requirement is only for an end-of-day report of the collateral of any repo or portfolio of repos.

The RTS on transaction reporting goes further than the SFTR and requires that any "modification of the details of collateral data, including its valuation, shall be identified" as a collateral update and not just substitutions (Annex I to the final RTS on transaction reporting). These details are defined by data fields within the range 2.75 to 2.94 (Article 3(6)). A collateral update report is required where there has been a change to "at least one of the data elements pertaining to the collateral" since the previous report and the new report must give all the collateral details of the repo, even those details that have not changed (Final Report of March 2017, p.83, para. 256). In other words, collateral updates are not "delta" reports and all relevant collateral data fields within the range 2.75 to 2.94 must be repeated in each collateral update report, even if only one of these fields has changed. See recommendation 9.5.

In each collateral update report, the following fields are mandatory:

- *Table 1, field 1, Reporting Timestamp*
- *Table 1, field 2, Report Submitting Entity*
- *Table 1, field 3, Reporting Counterparty*
- *Table 1, field 11, Other Counterparty*
- *Table 1, field 12, Country of Other Counterparty*
- *Table 2, field 3, Event Date*
- *Table 2, field 4, Type of SFT*
- *Table 2, field 9, Master Agreement Type*
- *Table 2, field 73, Collateralization of Net Exposure*
- *Table 2, field 98, Action Type* = COLU

Additional fields are conditional on how other fields are filled in. In particular, for repos which are individually collateralized, *Table 2, field 1, UTI*, is mandatory as this field links the collateral update report with the loan report (for repos which are collateralized on a net basis, the linkage is through the LEIs of the *Reporting Counterparty* and *Other Counterparty* (field 1.3 and 1.11) and *Master Agreement Type* (field 2.9)). In addition, *Table 2, field 89, Haircut or Margin,* becomes mandatory if *Table 2, field 75, Type of Collateral Component* = SECU/CASH (see recommendation 6.8).

Following ESMA's guidance of 25 May 2020, all types of report --- including collateral updates and excluding only tri-party repos not managed by JP Morgan, individual repos for which an express decision has been taken to margin separately from other repos under the same master agreement and undocumented buy/sell-backs --- should be reported with *Table 2, field 73, Collateralization of the Exposure* = TRUE regardless of whether or not they are actually collateralized on a net basis. ESMA's requirement is that parties should fill in "field 2.73=TRUE in the initial trade state report if they are aware that the SFT will be included in a collateralisation on a net exposure basis", which

includes variation margining against the net exposure of repos under the same master agreement. As margining is governed by their master agreement, parties will know before they transact repurchase transactions and documented buy/sell-backs whether or not margining will be against net exposure. Parties therefore need to check their master agreement but market-standard agreements like the GMRA provide for margin against net exposure excepting only tri-party repos not managed by JP Morgan (most tri-party repos, but not those managed by JP Morgan, are individually managed), individual repos for which an express decision has been taken to margin separately from other repos under the same master agreement and undocumented buy/sell-backs (variation margin is not possible in the case of undocumented buy/sell-backs as they are formed of two separate contracts). See recommendation 9.10.

Prior to ESMA's guidance that field 2.73 = TRUE for any repo which is or will be included in a collateralisation on a net exposure basis, the links between loan and COLU reports primarily depended on field 2.73.

- COLU reports with field 2.73 = TRUE would be linked to loan reports by the LEIs of the reporting parties (fields 1.3 and 1.11) and *Table 2*, *field 9*, *Master Agreement Type*.
- COLU reports with field 2.73 = FALSE would be linked to loan reports by the LEIs of the reporting parties (fields 1.3 and 1.11) and *Table 2*, *field 1*, *Unique Transaction Identifier*.

The RTS on transaction reporting assumed that, by definition, there could only be one COLU report per day for any pool of collateral under the same master agreement, that is, for which field 2.73 = TRUE. Therefore, a COLU report with field 2.73 = TRUE would be overwritten by any subsequent COLU report submitted on the same day with field 2.73 = TRUE.

ESMA's guidance that field 2.73 = TRUE for any repo which will be included in a collateralisation on a net exposure basis means that field 2.73 is no longer an accurate key for distinguishing COLU reports of individually-collateralized repos from those in portfolios collateralized on a net exposure basis. To resolve this problem, The *UTI* of the loan is now used as a secondary key. Trade repositories will not overwrite COLU reports with field 2.73 = TRUE received on the same day where the *UTI* is reported. Thus:

- In the case of a repo that is individually collateralized but for which variation margin is calculated and called against the net exposure of this and other repos under the same master agreement --- therefore, where 2.73 = TRUE --- collateral update reports will be linked to the repo by the trade repository by the LEIs of the reporting parties and the *UTI* of the loan. [108]
- In the case of a repo that is individually collateralized and for which variation margin is not calculated and called against the net exposure of multiple repos under the same master agreement --- therefore, where 2.73 = FALSE --- collateral update reports will also be linked to the repo by the trade repository by the LEIs of the reporting parties and the UTI of the loan.
- In the case of a repo that is collateralized and margined against the net exposure of a portfolio of repos under the same master agreement --- therefore, where 2.73 = TRUE --- collateral update reports will be linked to the portfolio of repos by the trade repository by the LEIs of

[108] Note that, in order to allow field 2.73 = TRUE for repos which are initially collateralized at transaction level, the trade repositories have changed their validation rules to allow the *UTI* for a repo to be included in its end-of-day COLU report. Previously, COLU reports in which field 2.73 = TRUE were not permitted to include a *UTI* because they were linked to (multiple) loan reports by the counterparties' LEIs and *Table 2, field 9, Master Agreement Type*.

the reporting parties and the *Master Agreement Type*. For this type of repo, the *UTI* field is not filled in (note that it is optional in COLU reports).

If *Table 2, field 75, Type of Collateral Component* = SECU, the following conditional and optional fields must also be filled in:

- *Table 2, field 78, Identification of a Security Used as Collateral*
- *Table 2, field 79, Classification of a Security Used as Collateral*
- *Table 2, field 83, Collateral Quantity or Nominal Amount*
- *Table 2, field 85, Currency of Collateral Nominal Amount*
- *Table 2, field 86, Price Currency*
- *Table 2, field 87, Price Per Unit*
- *Table 2, field 88, Collateral Market Value*
- *Table 2, field 89, Haircut or Margin*
- *Table 2, field 90, Collateral Quality*
- *Table 2, field 91, Maturity of the Security* (but only for debt securities)
- *Table 2, field 92, Jurisdiction of the Issuer*
- *Table 2, field 93, Issuer of Collateral*
- *Table 2, field 94, Collateral Type*
- *Table 2, field 95, Availability for Collateral Re-use*

Field 2.83 (Collateral Quantity or Nominal Amount) should be reported with a negative sign by the seller in all reports. Previously, it was recommended that this rule should be applied only for collateral updates and for the collateralization of net exposures (where field 2.73 = TRUE).[109] However, it is now necessary to use negative signs for collateral-giving in addition to filling in *Table 1, field 9, Counterparty Side* where this field is available.[110] See recommendation 6.17.

Where a repo is collateralized with more than one security, a collateral update report should repeat relevant data fields within the range 2.75 to 2.94 for each security (see the draft Final Report of March 2017, page 89, para. 230).

For repos actually collateralized on a net basis, it is necessary to report, not only collateral received from the other party and still held, but also collateral given to the other party and not yet returned (this only applies to variation margin reports --- see recommendation 9.10).

Where collateral is allocated from a basket but the collateral allocation is not known in time to report by T+1, it can be delayed but no later than S+1.[111] The delay in reporting the collateral allocation is indicated by *Table 2, field 96, Collateral Basket Identifier* = NTAV (not available). See recommendation 6.4.

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[109] The previous recommendation followed ESMA's Guidelines (p.138, para.374).

[110] The use of negative signs is allowed in fields 2.76, 2.83 and 2.87 (*Price Per Unit*) but not, under the ISO 20022 XML Schema, in 2.88.[110] Unless and until 2.88 can also be negative, it is recommended that negative signs be applied only to:

- *Table 2, field 76, Cash Collateral* (for cash margin)
- *Table 2, field 83, Collateral Quantity or Nominal Amount* (for margin securities).

See recommendation 9.10.

[111] So, if the identity of that collateral is known before S+1, then the relevant collateral update report cannot be delayed until S+1. For example, where the settlement date (S) is on T+2, if the identity of the collateral is known on T+1, it must be reported on T+2 (S) and not S+1.

In the case of intra-day repos, while the loans should be reported, it will not be possible to include any collateral details in the end-of-day collateral update report as there will be nothing still outstanding at the end of the day. A zero collateral update report therefore has to be made. See recommendation 1.5.

Collateral update reports should be made in respect of every working day during which the composition and/or value of collateral changes. This excludes the repurchase date, the early termination date of a fixed-term repo, the termination date of an open repo or a fixed-term repo with a termination option subject to a standard termination notice period, since the repo ceases to exist on those dates (Article 2(5)(3) of the ITS on transaction reporting).

For repos collateralized with a fixed-income security at trade level, there will be a collateral update report every working day for each repo, as the accrual of coupon interest will automatically change the market value of the security. There are no thresholds for collateral update reports.

For repos actually collateralized on a net exposure basis, there will be fewer collateral update reports, one for each portfolio of these repos that are netted for the purpose of collateralization.[112] For most GC financing facilities and for tri-party repos managed by JP Morgan, there will be a single portfolio of repos and so one collateral update report but, in the case of £GC, there can be more than one portfolio of repos and therefore several collateral update reports (because netting for the purpose of collateralization on this facility is limited to repos with the same repurchase date).

In the case of tri-party repos managed by JP Morgan, if two parties to these tri-party repos also have other repos under the same GMRA, COLU reports for the tri-party collateral and variation margin will have to include any variation margin for the other repos, as separate COLU reports between the same parties under the same master agreement for the same day in respect of collateral against net exposures will lead to one report overwriting the other. See recommendation 7.8.

If it is necessary for one party to correct a COLU report, ESMA's Guidelines (p.32, Table 6, row 55) specify that this unilateral change should be made using a correction report (*Table 2, field 98, Action Type* = CORR).[113] However, this guidance cannot always be followed because *Table 1, field 9, Counterparty Side*, is a mandatory field in CORR reports, but cannot be correctly filled in where *Table 2, field 73, Collateralization of Net Exposure* = TRUE, as this field applies to individual repos and, in a net collateralized portfolio of repos, a party may be the buyer in some transactions and the seller in others. Accordingly, it is recommended that, in order to correct a COLU report, parties should use a revised COLU report which describes the correct collateral position which was incorrectly reported in the original COLU report.

[112] Note the set of repos being collateralized on a net basis is not the same as the "netting set" defined by a master agreement of the repos that can be closed out to a single net amount in the event of default or the set identified by *Table 2, field 97, Portfolio Code*, on the basis of which initial and variation margins may be calculated.

[113] Note that, where parties agree to amend a COLU report, this should be done using a revised COLU report.

Moreover, CORR reports should not be used to correct COLU reports if the correction is to be made before the reporting deadline. In this case, a corrected COLU report should be submitted. This will over-write the previous incorrect COLU report (see Guidelines, p.18, para.75).

When an individual security ceases to be used as collateral, there is no need to include its ISIN and a zero value in the subsequent collateral update report, as the blank fields in the subsequent report will automatically overwrite the previous report held by the trade repository.[114]
ESMA's draft Final Report of March 2017 (page 44, Table 2) indicated that *Table 2, field 98, Action Type* = COLU should not be used in a report of a buy/sell-back. However, ESMA's draft Guidelines has reversed this exception (p.39, Table 5). See recommendation 7.1.

The balance of outstanding collateral to be reported in a collateral update report should be measured on the basis of the contractual or intended settlement dates of transactions, in other words, it is recommended to assume perfect settlement. Consequently, the *Event Date* for a collateral update report should be the "expected" settlement date of the collateral being reported, which is taken to mean contractual or intended settlement date --- recommendation 9.2.1. This approach has been confirmed by ESMA in its final Guidelines of January 2020. See recommendation 9.2.

In respect of collateral update reports for CCP-cleared repos, ESMA's Guidelines of January 2020 (p.34, para.130) say that "When an SFT is cleared, information related to valuations sourced from the CCP should be used for SFTR reporting".

In respect of repos not cleared by a CCP, in its draft Guidelines of May 2019, ESMA proposed that parties use the reconciliation of *Table 2, field 88, Collateral Market Value*, to "identify and fix any bad/erroneous market prices/FX rates in their own systems before they are used to calculate an updated market value to be reported to a trade repository". However, the prices (including exchange rates) used in the revaluation of securities for risk management purposes, including variation margining, are applied on a firm-wide basis in order to ensure consistent valuation and do not differ between transactions. As different parties will frequently use different price sources, collect prices at different times and apply different validation procedures, prices used for risk management will often differ between parties. These are legitimate differences and not an indication that either party is using incorrect prices as prices will have been rigorously validated by an independent risk function. Suggesting that parties should replace prices for individual securities that they have been carefully validated by independent risk functions with consensus numbers that have been agreed with other parties at a portfolio level merely to ensure a match for reporting purposes would undermine prudent risk management. It is therefore recommended that

[114] There is a remote possibility, for portfolios of repo collateralized on a net exposure basis and for variation margins for non-bilaterally-cleared repos (which are also calculated on a net exposure basis), that the total balance of collateral between the two parties falls to zero. In these cases, the collateral data fields in the COLU reports for this event cannot all be left blank, as trade repository will assume that the previous reports still describe the outstanding collateral. If this happens, it is recommended that the parties submit "token zero reports" to indicate to the trade repository that collateralization has ceased. It is further recommended that token zero reports should be limited to three collateral fields:

- *Table 2, field 75, Type of Collateral Component* = CASH
- *Table 2, field 76, Cash Collateral Amount* = [0]
- *Table 2, field 77, Cash Collateral Currency* = [EUR]

parties do not "correct" prices in their internal risk management systems to match reconciled prices used in reporting.

Instead, it is recommended that, in order to calculate *Collateral Market Value*, parties apply the market prices they have used to revalue collateral securities for the purpose of calculating the transaction exposures in individual repos, their overall net exposure to another party and the consequent variation margins. These are typically taken at close of business on the working day before the calculation, both for repo and securities lending, but could be same-day prices, for example, where margin is being called in response to exceptional movements in prices. The prices used to revalue collateral securities for the purpose of calculating exposures and variation margins are likely to be the easiest to reconcile since variation margining requires consensus between the parties on the net exposure. This recommendation is consistent with the ESMA requirements that, "counterparties should report the market value of SFTs using the market prices FX rates that those counterparties have used during the course of that working day for exposure management purposes" and "when reporting under SFTR, counterparties should use the value they use for collateral management and exposure management purposes" (final Guidelines of January 2020, p.34, paras.132 and 134, respectively). However, it should be noted that the prices used to calculate exposures and variation margins can still diverge between parties because, except for most tri-party repos and structured repos margined individually, variation margin is usually calculated for a portfolio of repos, so prices differences could net to zero across portfolios, in which case, the parties will be unaware that there are differences.

In the case of a branch in the EU of a non-EU entity or a branch in the UK of a non-UK entity, if it has been decided that the branch will report those SFTs in which it has been involved, a problem will arise if the initial collateral for those SFTs is allocated against the net exposure of a portfolio which includes SFTs transacted by the head office of that branch. In theory, the collateral should be divided between the branch and the head office in order to meet the FSB's objective of avoiding the double-counting of SFTs between different jurisdictions. However, the division of collateral allocated against a net exposure is impracticable. It is recommended, therefore, that the collateral should be reported only by whichever entity is responsible for the greater share of transactions. This would typically be the head office.

If there is more than one branch in the EU of a non-EU entity or more than one branch in the UK of a non-UK entity and these branches do not all have their own LEIs, where SFTs are with the same counterparty, the individual collateral reports of the branches will share the same *Table 1, field 3, Reporting Counterparty*, *Table 1, field 11, Other Counterparty* and *Table 2, field 9, Master Agreement Type* (which are the unique fields for collateral reports related to the collateralization of a net exposure) and would therefore over-write each other at the trade repository. In this case, the branches would have to submit an aggregated re-use report.

See also recommendation 6.1.

Recommendation 1: To calculate *Collateral Market Value*, it is recommended that parties apply the market prices used to revalue collateral securities for the purpose of calculating the transaction exposures in individual repos, their overall net exposure to other parties and the consequent variation margins.

Recommendation 2: Parties should not "correct" prices in their internal risk management systems to match reconciled prices used in reporting.

Recommendation 3: Where collateral or variation margin has been given, a negative sign should be attached in all types of report to field 2.83 or, in the case of cash collateral, field 2.76. If field 1.9 is included in the reporting template, this should also be filled in.

Recommendation 4: Where the total balance of collateral between two parties falls to zero, the parties should submit "token zero reports" to indicate to the trade repository that collateralization has ceased.

Recommendation 5: In the case of a branch in the EU of a non-EU entity or a branch in the UK of a non-UK entity, if it has been decided that the branch will report those SFTs in which it has been involved but the initial collateral for those SFTs is allocated against the net exposure of a portfolio which includes SFTs transacted by the head office of that branch. collateral should be reported only by whichever entity is responsible for the greater share of transactions.

9.4 When should MODI be used as an Action Type instead of ETRM?

Table 2, field 98, Action Type = ETRM, is intended to be the *Action Type* to classify two types of report:

- termination of an open repo or a fixed-term repo with a termination option subject to a standard termination notice period (usually one or two business days) or an evergreen repo --- where the party giving notice of termination is exercising a pre-agreed option;
- early termination of a simple fixed-term repo --- where the party seeking to terminate the transaction has no pre-agreed right to do so but has secured the ad hoc agreement of the other party.

Because the *Termination Date* cannot be changed after that date by means of a correction report (*Table 2, field 98, Action Type* = CORR), an ETRM report should not be sent until the settlement of the termination of a repo has been confirmed.[115]

Moreover, the use of an ETRM report would be inappropriate and problematic where the date of settlement of a termination is not on the same day as the notice of termination. Given that *Table 2, field 3, Event Date,* for an early termination cannot be later than the reporting date under ESMA's Validation Rules, a future settlement date would require a reporting party to hold back its report of the termination until the settlement date.[116] This delay would be misleading as to the risk exposure of the parties, which would change on the date of the decision to terminate. It has also been argued that holding back reports would be operationally challenging to implement.

To provide a more accurate picture of the risk exposure of the parties and to avoid the operational need to hold back reports, it is recommended that, where a transaction is terminated --- whether it be an open, fixed-term or evergreen repo --- and the settlement of the termination is not on the same day that the notice of termination is served (T+1 or later), *Table 2, field 98, Action Type* = MODI should be used instead of ETRM. In other words, use of ETRM should be limited to reports of the termination of open and the early termination of fixed-term repos where the settlement of termination happens on the same day as the notice of termination is served (T+0).

Where MODI is used to report the termination of an open repo or the early termination of a fixed-term repo, the modification being reported would be:

- for the termination of an open repo:
  - *Table 2, field 21, Open Term* = FALSE (previously TRUE)
  - *Table 2, field 14, Maturity Date* = [termination settlement date (previously blank)]
  - *Table 2, field 38, Principal Amount at Maturity* = [repurchase price (previously blank)]

[115] Nor can the *Termination Date* be changed after that date by a modification report (*Table 2, field 98, Action Type* = MODI), which means that parties cannot send an ETRM report for the same-day termination of a repo and, if they subsequently discover the settlement has failed, send a MODI report to delay the reported maturity date. See ESMA's final Guidelines of January 2020 (paras.112-114 and Table 6, row 56).

[116] Note that ESMA have indicated that the *Event Date* (*Table 2, field 3*) for an early termination (*Table 2, field 98, Action Type* = ETRM*)* should be the date of settlement and for a modification (*Table 2, field 98, Action Type* = MODI*)* should the date on which the modification takes effect.

- for the early termination of a fixed-term repo:
  - *Table 2, field 14, Maturity Date* = [termination settlement date]
  - *Table 2, field 38, Principal Amount at Maturity* = [new repurchase price]

Note that, in both cases, *Table 2, field 15, Termination Date,* should not be filled in, as this field is not for use in MODI reports.

It is important to understand that, although the use of a MODI report requires field 2.14 to be specified where an open repo is being terminated with more than same-day notice of termination, which makes the transaction look as though it has been converted into a fixed-term transaction, this is only reporting requirement and does not change the contractual nature of the transaction.[117]

See sample report 3.2 for a comparison of the use of ETRM and MODI *Action Types*.
Note that, when there are several modifications to a transaction during the course of the same day, it is not necessary to make an individual MODI report for each modification (see final Guidelines and Final Report of January 2020, p.25, paras.112 and 114, p.61, para.372).[118] See recommendation 9.18.

Recommendation 1: An ETRM report should not be sent until the settlement of the termination of a repo has been confirmed.

Recommendation 2: ETRM should be used as the *Action Type* only to report the termination of an open repo and the early termination of a fixed-term repo where, in both cases, settlement of the termination will be for the same day as the notice of termination. The early termination of repos for settlement next day or later should be reported as a modification using *Action Type* = MODI.

[117] It can be argued that future termination of an open repo does indeed convert it into a fixed-term transaction (this is the interpretation in the ICMA Guide to Best Practice in the European Repo Market, see paragraph 2.24) but the reporting of a maturity date under SFTR is not relevant to this debate. It is an expedient necessitated by the prescribed reporting template.

[118] The references quoted above to statements in ESMAS's final Guidelines and Final Report of January 2020 endorsing the recommended use of MODI and ETRM for reporting the termination of an open repo or the early termination of a fixed-term repo are contradicted by other statements (see para.110 and Table 5). However, these are believed to be mistakes and the recommendation above stands.

9.5 Repeating unchanged data fields in modification (MODI) and update (COLU, MARU, REUU) reports

The question arises as to whether modification reports (*Table 2, field 98, Action Type* = MODI), collateral update reports (*Table 2, field 98, Action Type* = COLU), *CCP* margin reports (*Table 3, field 20, Action Type* = MARU) and collateral re-use reports (*Table 4, field 18, Action Type* = REUU) should repeat unchanged data fields or only report changed fields.

The RTS on transaction reporting requires that any "modification of the details of collateral data, including its valuation, shall be identified" as a collateral update and not just substitutions (Annex I to the final RTS on transaction reporting). ESMA's draft Final Report of March 2017 also required collateral update reports to include all the collateral details of the repo or portfolio where there has been a change to "at least one of the data elements pertaining to the collateral" since the previous report, even those details that have not changed (p.83, para. 256). ESMA's final Guidelines of January 2020 expressly included margin and re-use updates in the requirement for full reporting of all fields (p.18, para.75). There also appears to be a consensus among reporting parties that it will be operationally easier to take the same "full reporting" approach to modification reports.

The proposal for full reporting was endorsed by ESMA in its final Guidelines of January 2020 (p.18, para.74).

Recommendation: Modification and all update reports should repeat unchanged data fields.

9.6 Use of error (EROR) reports

An error report (*Table 2, field 98, Action Type* = EROR) is intended to cancel the report of a repo in the event that it is discovered that the transaction never took place or that it fell outside the scope of SFTR and should not have been reported. In addition, an EROR report has to be used to cancel a report with an incorrect LEI in either *Table 1, field 3, Reporting Counterparty* or *Table 1, field 11, Other Counterparty*, so that a new and correct report can be submitted (fields 1.3 and 1.11 cannot be corrected).

An EROR has the effect of cancelling a report in its entirety. Among other things, this will also make the *UTI* of the cancelled transaction unusable (see recommendation 3.2). Despite its drastic impact, an EROR report can be made unilaterally. In order to protect the other party, it is recommended that, as a matter of best practice, EROR reports should be made only after having notified the other party and ideally after agreement with the other party. Moreover, if the transaction remains in scope for reporting by the other party, they will need to replace the *UTI*. Best practice in this event is for both parties to cancel the original transaction and create a new one with a new *UTI*, which the in-scope party will report under the appropriate reporting regime but the out-of-scope party will, of course, not report again under SFTR. See recommendation 3.2.

On the other hand, ESMA's Validation Rules for *Table 2, field 98, Action Type*, only allow the re-use of a *UTI* from a report that has been cancelled if that *UTI* is re-used for another transaction between two parties reporting to different trade repositories. In other words, in the previous example, party A or B could only re-use UTI1 with party C if C reports to a different trade repository. See recommendation 3.2.

Note that EROR reports should not be used instead of modification reports (*Table 2, field 98, Action Type* = MODI) or correction reports (*Table 2, field 98, Action Type* = CORR). The use of EROR reports for modifications and corrections is mis-reporting. In addition, the need to report a new transaction with the modified or corrected data, and generate and share a new *UTI*, is cumbersome and increases the risk of reporting mismatches.

Once an EROR report has been submitted, it is not possible to resurrect the relevant repo by modifying or correcting the maturity or termination date, as there would be no repo still outstanding (see ESMA's Guidelines of January 2020, p.32, Table 6, row 56). Nor, for the same reason, would it be possible to retrospectively modify the report or correct its history.

As for an EROR report, once a termination report (*Table 2, field 98, Action Type* = ETRM) has been submitted, it is not possible to resurrect the terminated repo by modifying or correcting the maturity or termination date, as there will be no repo still outstanding. For this reason, ESMA state that termination reports should not be sent until after settlement is certain (Guidelines of January 2020, p.25, paras.113-114). However, it is still possible to retrospectively amend other data fields in previous reports of this repo. The *Event Date* for such back-dated amendments must be no later than the maturity or termination date of the report being amended.

An EROR report should be used where an OTC repo is transacted on condition that it will be cleared post trade by a *CCP* and the *CCP* rejects or fails to register the transaction. This will cancel the report of the prior repo. See recommendation 8.2.

Note that EROR reports cannot be used to cancel re-use update reports (*Table 4, field 18, Action Type* = NEWT or REUU). This is because ESMA's Validation Rules (contrary to the RTS on transaction reporting) require each re-use update report to have a unique combination of the following fields:

- *Table 4, field 4, Reporting Counterparty*
- *Table 4, field 5, Entity Responsible for the Report*

The problem is field 4.5 is not reportable in an EROR report to be applied to a re-use update report. Filling it in would cause the trade repository to reject the report.

Accordingly, in order to cancel a re-use update report made in error, parties would have to make a correction report (*Table 4, field 18, Action Type* = CORR) in which *Table 4, field 8, Value of Reused Collateral*, or *Table 4, field 9, Estimated Reuse of Collateral* = 0 (zero).

Recommendation: It is best practice to make an EROR report only after having notified the other party and ideally agreed the report.

9.7 How should the re-rate of a floating-rate repo be reported (fields 2.35-2.36)?

ESMA's Validation Rules originally required every change in a floating repo rate to be reported, even if that rate was re-fixed every day, published by an authorized administrator and any spread to the index was fixed.[119] This would have meant daily modification (Table 2, field 98, Action Type = MODI) of Table 2, field 35, Adjusted Rate, which is the sum of the index reported in Table 2, field 25, Floating Rate and any agreed spread to the index reported in Table 2, field 32, Spread, as well as Table 2, field 36, Rate Date.[120]

However, in its Guidelines of January 2020, ESMA has indicated that scheduled daily changes in interest rate indexes do not have to be reported by updating fields 2.35 and 2.36 (p.93, para.258). Only the identity of the index and any spread should be reported in the initial report (Table 2, field 98, Action Type = NEWT). Field 2.35 is now optional and field 2.36 is conditional on field 2.35. Fields 2.35 and 2.36 should be filled in only if a change in the floating repo rate which the parties have agreed at the time that the repo was transacted --- which is a requirement that would seem to apply, for example, to step-ups or step-downs in the repo rate as a result of pre-agreed changes in the spread (p.93, para.260).[121]

Note also that the *Rate Date* is the date on which the fixing of a floating-rate index becomes effective, in other words, when the new rate starts to impact the calculation of repo interest. It is not the fixing date itself, although the two dates may be the same (see p.107, paras.278-279 and Table 72 of ESMA's draft Guidelines of May 2019).

Recommendation: The *Adjusted Rate* and *Rate Date* should not be reported for floating-rate repos where the floating rate is a daily interest rate index.

[119] Thus p.10 of Annex I of the RTS on transaction reporting says "Fields 35 and 36 [Adjusted Rate and Rate Date] shall be repeated and completed for each floating rate adjustment".
[120] Note that the "rate schedule" mentioned in the description of the Adjusted Rate in the Validation Rules refers to Table 2, fields 26-32, which specify the floating rate.
[121] ESMA's Guidelines of January 2020 state that "fields 2.35 "Adjusted rate" and 2.36 "Rate date" only need to be populated for pre-agreed future rate changes captured as part of the conclusion of the transaction" (p.93, para.260).

9.8 How should the substitution of collateral be reported?

A substitution of collateral should be reflected in the end-of-day collateral update report (*Table 2, field 98, Action Type* = COLU) that has to be made by S+1 for each outstanding repo or for each portfolio of repos where this is collateralized on a net basis.

A substitution cannot be reported as *Table 2, field 98, Action Type* = MODI (modification), as this is expressly for "changes in the data elements of a reported transaction or position other than" a collateral update.

If substitution is performed by an early termination of a transaction and the creation of a new replacement transaction for the substitute collateral --- provided these are contractual events (a change in the terms of a contract, probably agreed by front offices, rather than the use of an existing contractual provision which allows substitution to be agreed by the parties) and not merely operational simulations (see recommendation 9.1) --- there will be an early termination report (*Table 2, field 98, Action Type* = ETRM, where termination is settled on the same day as the termination notice, or MODI, where termination is settled later than the termination notice --- see recommendation 9.4) and a new transaction report (*Table 2, field 98, Action Type* = NEWT) for the repo of the substitute collateral. No further collateral update reports would be required for the terminated repo.

In the case of CCP-cleared repos, at least one major European CCP does not provide a mechanism for the substitution of collateral by means of a modification in the terms of a transaction. However, a member of this CCP is able to replicate the substitution of collateral (collateral A) on an existing transaction (transaction 1) with new collateral (collateral B) by:

- offsetting transaction 1 with a new opposite but otherwise identical transaction (transaction 2)
- executing another new transaction (transaction 3) which is identical to transaction 1 in every respect except that it is against collateral B.

In order to report the above method of substitution under SFTR, a party should:

- report transaction 2 as a new transaction (*Table 2, field 98, Action Type* = NEWT) with a new *Table 2, field 1, UTI,* and the CCP as Table 2, field 11, Other Counterparty
- report transaction 3 as a new transaction with a new *Table 2, field 1, UTI,* and the CCP as *Table 2, field 11, Other Counterparty.*

Note that transactions 1 and 2 should not be terminated because they continue to exist until their common maturity date. Repo CCPs do not net and extinguish offsetting transactions (as is the case with derivatives).

In the case of the fixed-income CCPs operated in the US by the Depository Trust and Clearing Corporation (DTCC), which includes the Fixed Income Clearing Corporation (FICC), there is a collateral substitution facility, which means that substitution would be reported as a modification (*Table 2, field 98, Action Type* = MODI).

See recommendation 8.2.3.

9.9 How should the "re-allocation" of repo collateral by a fund manager or other agents be reported?

Fund managers and other agents who execute repos on behalf of client funds, often negotiate a single repo with a financial counterparty on behalf of several client funds. The single agency repo with the financial counterparty is then "allocated" by the agent among the client funds. An agency repo between a financial counterparty and several funds can be documented under the Agency Annex to the GMRA and the Addendum to that Annex for multiple principal transactions. In the Annex, each transaction with the financial counterparty is called a "Pooled Transaction". In the securities lending market, such agency transactions are sometimes called "bulk trades".

While a single agency repo is transacted by the fund manager or other agent directly with the financial counterparty, legally, such a repo is a bundle of identical repos between the financial counterparty and each of the client funds which receives an allocation. The agent is not a party to the transaction itself, only to its execution. Each agency repo between the financial counterparty and each client fund should have its own UTI and be reported separately.

From time to time, a fund manager or other agent will "re-allocate" agency repos amongst client funds, reducing or entirely closing the repo of one fund and either (1) increasing the size of the repo of another fund or (2) creating a new repo with another fund. Some or all of the cash of the re-allocated repo has to be repaid and some or all of the collateral has to be delivered back.[122]

For the purposes of reporting repos under SFTR, where re-allocation of an agency repo by a fund manager or other agent involves reducing the size of the re-allocated repo and increasing the size of another fund's existing repo, the *Report Submitting Entity* for the funds and the financial counterparty should report:

- a reduction in the size of the repo being re-allocated as a modification (*Table 2, field 98, Action Type* = MODI);
- an increase the size as a modification of an existing repo with the other fund (*Table 2, field 98, Action Type* = MODI).

Where re-allocation of an agency repo by a fund manager or other agent involves completely closing the re-allocated repo, the *Report Submitting Entity* for the funds and the financial counterparty must report the termination of the repo being re-allocated (*Table 2, field 98, Action Type* = ETRM or MODI, depending on whether the termination is settled same day or later --- see recommendation 9.4).

Where an agency repo is re-allocated, in whole or in part, to a new fund, the *Report Submitting Entity* for the funds and the financial counterparty must report a new repo between the new fund and the financial counterparty (*Table 2, field 98, Action Type* = NEWT). This means generating a new UTI to report in *Table 2, field 1, UTI*.

[122] In the securities lending market, re-allocation is sometimes also called "shaping" or "partialling", but these terms have very different meanings in the repo market (see Recommendations 22 and 29, respectively).

Recommendation: The re-allocation of repos between client funds by an agent should be reported as:

- modification --- if it adds to or partially subtracts from a position already held by a fund;
- termination --- if it completely subtracts from a position already held by a fund;
- new transaction --- if it is a re-allocation to a new fund.

9.10 How should variation margins be reported?

9.10.1 Reporting field 2.73 for variation margins

Table 2, field 73, Collateralization of Net Exposure, was originally included in the SFTR reporting template in order to indicate the situation where a portfolio of repos is collectively secured by a single pool of collateral, the value of which is calculated against the net exposure of the repos. Where field 2.73 is reported as TRUE, the repos in the portfolio are linked to the relevant pool of collateral by the unique combination of *Table 1, field 3, Reporting Counterparty, Table 1, field 11, Other Counterparty*, and *Table 2, field 9, Master Agreement Type*. On the other hand, where an individual repo is secured by its own collateral (collateralized on such a trade-level basis), it was understood that field 2.73 would be reported as FALSE and that the repo would be linked to its collateral by the combination of *Table 1, field 3, Reporting Counterparty, Table 1, field 11, Other Counterparty*, and *Table 2, field 1, UTI*.

This understanding of the SFTR reporting rules was used as the basis of a recommendation on how parties should report variation margin for repos which are not cleared by a CCP. While there is a special template for reporting margins on CCP-cleared repos, there was no provision for the reporting of margin on other repos. Where, as is usually the case, variation margin on non-cleared (bilateral) repos is calculated against the net exposure of all repos under the same master agreement (with some limited exceptions) --- in contrast to the individual underlying collateralization of most repos --- it was recommended that variation margins against net exposure should be reported as a collateral update (*Table 2, field 98, Action Type* = COLU) with field 2.73 = TRUE, while COLU reports for individual repos should be reported with field 2.73 = FALSE. This approach would accurately indicate the difference in the contractual nature of the collateralization of a repo and variation margins.

On the basis of these considerations, which were strongly endorsed by its SFTR Task Force, and in the absence of any initial guidance on non-CCP variation margin, ICMA recommended that parties report field 2.73 = TRUE only for COLU reports of the underlying collateralization of portfolios of repo and variation margins calculated against a net exposure. Parties have, in good faith, built this recommendation into the logic of their reporting systems.

ESMA's Guidelines of January 2020 (p.142, section 5.4.7.2) addressed the "variation margining of repos collateralized initially at transaction level and then included in a netting set". The guidance was very unclear and was largely provided by examples. These appear to require that field 2.73 should be reported as TRUE, not only where a portfolio of repos is collateralized on a net basis and for variation margin calculated against the net exposure of individual repos under the same master agreement but also for any individual repo collateralized at trade level but included in the calculation of net exposure only for the purpose of determining a variation margin.

ICMA queried the examples in the Guidelines and explained again the basis of its recommendation. It also noted that, if several reports in which field 2.73 = TRUE were submitted on the same day to a trade repository, the latest report would overwrite the previous. In other words, only one net exposure report was expected for each repo. This would mean that COLU

reports for individual repos and for variation margins against the net exposure of all repos under the same master agreement would be mutually exclusive and other the last report of the day would be recorded if they were all reported with 2.73 = TRUE.

ESMA replied in an e-mail of 25 May 2020. This did not address ICMA's objections to the general use of field 2.73 = TRUE but suggested that field 2.73 could be filled in when a repo was initially reported if the parties are aware that the repo "will be included in a collateralization of a net exposure basis, otherwise they should populate 2.73 = FALSE and as soon as they become aware of the inclusion of the SFT in a netting set, they should update this field accordingly with action COLU". While not clear from the wording, it is assumed from the context that field 2.73 = TRUE, even if just the variation margins are calculated in this way and not the initial collateral. In other words, all repos should be reported with field 2.73 = TRUE if variation margin is calculated against net exposure.[123] This would mean that the only repos which would be reported with field 2.73 = FALSE would be:

- tri-party repos other than those which are part of a GC financing facility or are managed by JP Morgan (which are actually managed on a net exposure basis) --- most tri-party repos are managed on an individual basis;
- any individual repos for which an express decision has been taken to margin separately from other repos under the same master agreement (typically because they are structured transactions that require specialist valuation);
- undocumented buy/sell-backs because variation margining is not possible in the case of undocumented buy/sell-backs given that they are formed of two separate contracts;
- repos for which under- or over-collateralization is eliminated by means of early termination and replacement (for example, using the Repricing or Adjustment mechanisms of the GMRA).

ESMA indicated that it did not understand the problem that would be created for the trade repositories by general use of field 2.73 = TRUE but noted that the issue was being discussed with the trade repositories.

Given the late clarification by ESMA of how to report non-CCP variation margins, and the imminence of the first go-live date (34 working days from ESMA's e-mail), it may be impracticable for many parties or third-party service-providers to amend their reporting systems until later in the year.

[123] Note that, in order to allow field 2.73 = TRUE for repos which are initially collateralized at transaction level, the trade repositories have changed their validation rules to allow the *UTI* for a repo to be included in its end-of-day COLU report. Previously, COLU reports in which field 2.73 = TRUE were not permitted to include a *UTI* because they were linked to (multiple) loan reports by the counterparties' LEIs and *Table 2, field 9, Master Agreement Type*.

9.10.2 Repos cleared by a CCP

Initial and variation margins for *CCP*-cleared repos are reported in a separate margin report. For the first of these reports:

- *Table 3, field 20, Action Type* = NEWT (new margin report)

But all subsequent margin reports should include instead:

- *Table 3, field 20, Action Type* = MARU (margin update)

See recommendation 8.2.

9.10.3 Variation margining of repos not cleared by a *CCP*

SFTR and the RTS on transaction reporting make no express provisions for reporting variation margins called on repos not cleared by a *CCP*.

The challenge in reporting the variation margining of bilaterally-cleared repo is that it is usually not implemented by means of a modification of the amount of cash or collateral of the transaction or transactions for which margin is being called. Instead, with the exception of tri-party repos and structured transactions that the parties have expressly agreed to margin separately from the rest of their repos (see the next paragraph), the variation margin on repo not cleared by a *CCP* is calculated against the net exposure of the whole portfolio of repos under the same master agreement. In other words, a single variation margin is made against the portfolio. Given that it applies to multiple repos, such a single variation margin is distinct from the cash owing in each individual repo and the securities being used to collateralize each individual repo. It is therefore recommended that variation margin in this case should be reported in a special COLU report on each day that there is a change to the value and/or composition of outstanding balances of variation margin. The COLU report should be linked to the repos to which the variation margin applies by:

- *Table 1, field 3, Reporting Counterparty* = [LEI]
- *Table 1, field 11, Other Counterparty* = [LEI]
- *Table 2, field 9, Master Agreement Type*

In addition, where variation margin is calculated against the net exposure of repos under the same master agreement, these COLU reports should include:

- *Table 2, field 73, Collateralization of Net Exposure* = TRUE
- *Table 2, field 74, Value Date of Collateral* = [value date of the most recently-transacted repo covered by variation margining]

Moreover, as discussed, ESMA requires that the initial and subsequent reports of the transactions themselves (excluding tri-party repos not managed by JP Morgan and individual repos for which an express decision has been taken to margin separately from other repos under the same master agreement) should also include:

- *Table 2, field 73, Collateralization of Net Exposure* = TRUE
- *Table 2, field 74, Value Date of Collateral = Table 2, field 13, Value Date*

Note that it is recommended that field 2.73 should be reported as TRUE in the initial report of a repo and that parties should not report this field initially as FALSE and then change the field using a subsequent COLU report. However, as margining is governed by their master agreement, parties will know before they transact a repo whether or not margining will be against net exposure. Parties therefore need to check their master agreement but market-standard agreements like the GMRA margin against net exposure excepting only tri-party repos not managed by JP Morgan (most tri-party repos, but not those managed by JP Morgan, are individually managed) and individual repos for which an express decision has been taken to margin separately from other repos under the same master agreement.

Only in the cases of tri-party repos and structured transactions for which the parties expressly agree to margin separately from the rest of the repos outstanding between them are transaction exposures on individual repos eliminated by separately increasing or decreasing the collateral of each repo (or in the case of open tri-party repos managed by JP Morgan, by changes in the net collateral of the portfolio of tri-party repos).[124] In these cases, the changes in the collateral of each repo would be reported as part of the routine end-of-day COLU report linked to the relevant transaction by *Table 2, field 1, UTI*. This is even though these types of repo have been transacted under the same master agreements as repos being variation margined on a net exposure basis. This means that a party which has some repos for which collateral is managed internally and some for which collateral management is delegated to a tri-party agent will be giving variation margin directly to and receiving variation margin directly from other parties at the same time as the tri-party agent is taking extra collateral or returning surplus collateral on each of its tri-party repos. That would mean, for example, that a portfolio of three tri-party repos (other than with JP Morgan) and 10 other repos would generate up to 14 COLU reports each day; one for each of the three tri-party repo, one for each of the 10 other repos and one for the variation margin of the repos not delegated to the tri-party agent.

For tri-party repos other than those managed by JP Morgan and structured transactions for which the parties expressly agree to margin separately from other repos under the same master agreement, initial and subsequent reports of these repos should include:

- *Table 2, field 73, Collateralization of Net Exposure* = FALSE

ESMA confirmed in their draft Guidelines of May 2019 and in subsequent discussions that variation margins on repos not cleared by a *CCP* should be reported as special COLU reports.

It was originally proposed to report the direction of variation margins (whether outstanding variation margin has been given or received) by using *Table 1, field 9, Counterparty Side* = GIVE or TAKE. ESMA's draft Guidelines enabled this field for collateral update reports at the request of ISLA in order to distinguish the collateral side of a securities loan against non-cash collateral. However, this field would not provide a satisfactory means of reporting the location of holdings of outstanding variation margins on repos. This stems from the fact that variation margin for repos is not returned to the party who gave it unless that party expressly calls back that margin when it

[124] Transaction Exposure is a term used in the GMRA to describe the difference between the current market value of the collateral in a repo and the current repurchase price, where the market value has been adjusted by any haircut or the repurchase price has been adjusted by any initial margin. Transaction Exposure measures the exposure that is included in the calculation of variation margin.

makes a subsequent margin call on the other party. Consequently, both parties can end up holding variation margin from each other at the same time. The problem with using *Counterparty Side* is that a collateral update report must be all give or all take, whereas a collateral update report of variation margin needs to be able to include outstanding balances, as of the same date, of margin given and received by the same party. The alternative proposed to ESMA was for cumulative outstanding balances of variation margin to be reported with a positive arithmetic sign for margin received and still held, and a negative arithmetic sign for margin given and not yet called back. It was also proposed that field 1.9 should not be used in a collateral update to report variation margin, as a combination of give or take and positive or negative could lead to confusion about whether a given margin has been given or received, for example, what is meant by "giving a negative" margin? This recommendation has been accepted by ESMA and was implemented in the revised Validation Rules of October 2019, which do not require field 1.9 to be filled in for collateral update reports.

ICMA recommended to ESMA that arithmetic signs should be applied only to:

- *Table 2, field 76, Cash Collateral* (for cash margin)
- *Table 2, field 83, Collateral Quantity or Nominal Amount* (for margin securities)
- *Table 2, field 88, Collateral Market Value* (for margins securities)

The use of negative signs is so far allowed in fields 2.76, 2.83 and 2.87 (*Price Per Unit*) but not, under the ISO 20022 XML Schema, in field 2.88. [125] [126] Unless and until 2.88 can also be negative, it is recommended that negative signs be applied only to:

- *Table 2, field 76, Cash Collateral* (for cash margin)
- *Table 2, field 83, Collateral Quantity or Nominal Amount* (for margin securities)

Trade repositories have amended their systems to be able to match negative quantities in fields 2.76 and 2.83 from one party with the same but positive quantities from the other party. In addition, they will recognize quantities without a sign as positive. As a consequence of this change, they also expect to see arithmetic signs used in fields 2.76 and 2.83 in all reports and not just COLU reports.

However, it is possible that matching of fields 2.76 and 2.83 with opposite arithmetic signs may not be possible where the reports being matched are made to different trade repositories until after the first go-live date. If this is the case, the consequent mismatches will have to be accepted and the problem identified to the regulator as being beyond the control of the reporting parties.

Another problem in reporting variation margin on non-*CCP* repos is the possibility that both parties may be simultaneously holding variation margin in the same asset. Rather that repeating fields describing that asset, one set positive (when the asset has been received as variation margin) and the other set negative (when the same asset has been given as variation margin), it is recommended that the cumulative outstanding balances of variation margin reported by each

[125] Note that the use of a negative sign in field 2.87 is to indicate a negative yield, where the price is reported as a yield, whereas the use of negative signs in fields 2.76 and 2.83 is directional.
[126] An example given by ESMA in its final Guidelines of January 2020 suggests otherwise but is incorrect in the light of the ISO Schema (p.151, Table 95, row 88).

party should be the net amount outstanding in each asset. For example, if party A is holding 1 million of security X as variation margin from party B and party B is holding 3 million of the same security as variation margin from party A, party A should report variation margin as -2 million of security X and party B should report variation margin of +2 million of the same security. This reporting of net margin would reflect the variation margining calculation under the GMRA.

Where variation margin has been provided in the form of both securities and cash, *Table 2, field 75, Type of Collateral Component*, should be repeated for securities (SECU) and cash (CASH). For securities provided as variation margin, the following fields need to be filled in for each security.

- *Table 2. field 78, Identification of a Security Used as Collateral*
- *Table 2, field 79, Classification of a Security Used as Collateral*
- *Table 2, field 83, Collateral Quantity or Nominal Amount*
- *Table 2, field 85, Currency of Collateral Nominal Amount*
- *Table 2, field 86, Price Currency*
- *Table 2, field 87, Price Per Unit*
- *Table 2, field 88, Collateral Market Value*
- *Table 2, field 89, Haircut or Margin*
- *Table 2, field 90, Collateral Quality*
- *Table 2, field 91, Maturity of the Security*
- *Table 2, field 92, Jurisdiction of the Issuer*
- *Table 2, field 93, LEI of the Issuer*
- *Table 2, field 94, Collateral Type*
- *Table 2, field 95, Availability for Collateral Re-use*

For cash provided as variation margin, the following fields must be filled in for each currency.

- *Table 2, field 76, Cash Collateral*
- *Table 2, field 77, Cash Collateral Currency*

Outstanding balances of variation margin should be measured in terms of market value at prices used by the reporting party for risk management, specifically, for the calculation of the transaction exposures of individual repos, their overall net exposure to another party and variation margin (these prices are typically taken at the close of the working day before the valuation date --- this is acceptable to ESMA (see p.42, para.157 of its draft Guidelines). See recommendation 9.3.

Note that, when reporting outstanding variation margin, any interest accrued but not yet paid on cash variation margin should be added to the principal amount of that margin. This reflects the calculation of Net Exposure under the GMRA.

Where parties are transacting both repurchase transactions and buy/sell-backs with each other under the same legal agreement, they will need to fill in *Table 2, field 4, Type of SFT*, of collateral update reports for variation margin with one or other type of repo. As this is a matching field, parties will need to agree which type of repo is identified. It is recommended that parties report the type of repo which accounts for most of their business with each other but, if that is not easy

to establish or changes frequently, they should report a repurchase transaction (REPO). See recommendation 5.8.

When the balance of an individual security being used as variation margin falls to zero, provided there are still other securities and/or cash outstanding as variation margin, there is no need to include its ISIN and a zero value in the subsequent collateral update report, as the blank fields in the subsequent report will automatically overwrite the previous report held by the trade repository.

In the remote possibility that the total balance of variation margin given to or taken from another party (in all securities and/or cash) falls to zero, the collateral data fields in the COLU reports for this event cannot all be left blank, as the trade repository will assume that the previous reports still describe the outstanding collateral. If this happens, it is recommended that the parties submit "token zero reports" to indicate to the trade repository that collateralization has ceased. It is further recommended that token zero reports should be limited to three collateral fields:

- *Table 2, field 75, Type of Collateral Component* = CASH
- *Table 2, field 76, Cash Collateral Amount* = [0]
- *Table 2, field 77, Cash Collateral Currency* = [EUR]

If a branch in the EU of a non-EU entity (or of a branch in the UK of a non-UK entity) is involved in arranging repos that are part of a portfolio for which variation margin is called against the net exposure of the portfolio, along with repos arranged and executed by its non-EU (or non-UK) head office, it is not possible to measure the share of variation margins attributable solely to the repos in which the branch was involved. Given that the head office will be responsible for variation margining for the whole portfolio, pending clarification from ESMA, it is recommended that the branch should not report any variation margins in respect of the repos in which it was involved, except where the branch is responsible for managing repos transacted outside the country in which the head office is established.

Recommendation 1: Where the total balance of variation margin between two parties falls to zero, the parties should submit "token zero reports" to indicate to the trade repository that collateralization has ceased.

Recommendation 2: If a branch in the EU of a non-EU entity (or of a branch in the UK of a non-UK entity) is involved in arranging repos that are part of a portfolio for which variation margin is called against the net exposure of the portfolio, along with repos arranged and executed by its non-EU (or non-UK) head office, pending clarification from ESMA, it is recommended that the branch should not report variation margins in respect of the repos in which it was involved, except where the branch is responsible for managing repos transacted outside the country in which the head office is established.

9.10.4 Repricing or Adjustment of repos not cleared by a *CCP*

Where parties use one of the risk management mechanisms provided by the GMRA as an alternative to variation margining --- the early termination and replacement mechanisms called Repricing and Adjustment --- they should make two reports, each with one of the following fields, respectively:

- *Table 2, field 98, Action Type* = ETRM (if termination is on the same day as the notice of termination) or MODI (if termination is later than the notice of termination) --- see recommendation 9.4;
- *Table 2, field 98, Action Type* = NEWT (new transaction)

But parties should ensure that the early termination and replacement of repos reflects contractual reality and is not just an operational simulation.

Recommendation 1: Field 2.73 should be reported as TRUE in the initial report of a repurchase transaction or documented buy/sell-back not cleared by a CCP. Provided parties know that variation margining under their master agreement is on a net exposure basis, they do not need to report this field initially as FALSE and then change the field using a subsequent COLU report.

Recommendation 2: Variation margin for repos that are not cleared at a *CCP* and are margined on a net exposure basis should be reported using a special COLU report with the outstanding balances of variation margin (including the new margin) reported on a net basis for each asset, using arithmetic signs in fields 2.76 and 2.83 (and 2.88, if allowed by ESMA in due course) to distinguish the assets in which net margin has been given or taken.

9.11 How should cross-product netting be reported (field 2.97)?

For SFTR reporting, cross-product netting means the calculation and calling of a single initial margin and a single variation margin between a *CCP* and a *Clearing Member* or between a *Clearing Member* and a clearing client for a portfolio combining several types of product (eg repo and cash transactions, repos and securities loans, or repos and derivatives).

As SFTR is limited in scope to SFTs, in principle, it should not be possible to report cross-product margins on portfolios that include SFTs and other types of instrument. However, in the case of *Table 2, field 97, Portfolio Code*, the Validation Rules refer to portfolios that combine SFTs and derivatives, in which case, they require the use of the same *Portfolio Code* as reported under EMIR for the derivatives. It would seem, therefore, that there is no concern about the over- or under-reporting of initial and variation margins for cleared repos under SFTR because of the inclusion of non-STFs in the calculation of margins. In other words, margins on portfolios containing repos and other products should not be decomposed for reporting under SFTR. This would anyway be impracticable and misleading.

Note that there is a contradiction in the Validation Rules about the format for *Portfolio Code* within Table 2 of the data fields (transaction and position reporting) and there is a contradiction between Table 2 and Table 3 (margin update reports). The rule in Table 2 requires both 52 characters exactly and "up to" 52 characters. The rule in Table 3 requires exactly 52 characters. The SFTR Implementing Technical Standards (ITS) on transaction reporting require 52 characters. It is recommended that parties use 52 characters exactly.

EMIR does not require 52 characters exactly for a portfolio code. Where parties have to use their EMIR code in SFTR reports because a CCP portfolio includes derivatives, they will have to change their EMIR code if it does not already have exactly 52 characters. See recommendation 8.2.

If a *Portfolio Code* has to be generated just for SFTs, following EMIR, it is the responsibility of the *Reporting Counterparty* to do so. The reporting parties can use different *Portfolio Codes* as this is not a matching field.

Recommendation 1: Margins on portfolios containing repos and other products should not be decomposed for reporting under SFTR. This would anyway be impracticable and misleading.

Recommendation 2: Portfolio codes should have 52 characters exactly. Where parties have to use their EMIR code in SFTR reports because a CCP portfolio includes derivatives, they will have to change their EMIR code if it does not already have exactly 52 characters.

9.12 How should corporate events be reported?

A corporate event is an actual or potential change in the character of a security or its value or both, which will or may entitle the holder of the security to new securities or some other entitlement.

In the case of some "mandatory" corporate events, the holder has no choice about whether the corporate event will occur (for example, redemption). In the case of "voluntary" corporate events, the holder can choose whether or not to take advantage of the event (for example, rights issues). Some voluntary corporate events also require the holder to make a choice between options (for example, whether a distribution should be in cash or securities). The latter type of corporate event is sometimes called a "corporate action". The definition of corporate events is often widened to include events that may have only indirect consequences for the security, for example, the calling of an annual general meeting by the issuer or the holders of securities.

If, while a security is being used as collateral in a repo, it becomes subject to a corporate event, there may be consequences for the value of the security, in which case, this will be reflected in the end-of-day collateral update report for the repo (*Table 2, field 98, Action Type* = COLU) or, in the case of GC financing facilities, the end-of-day collateral update report for the portfolio of repos being collateralized on a net basis. If the parameters of the security are changed (for example, its nominal value, coupon or maturity), this will also be included in the relevant collateral update report.

If the corporate event produces a "distribution" (a payment of income), the report to be made under SFTR will depend on the underlying master repurchase agreement:

- If the distribution is made in cash, under the GMRA, an equivalent sum will be paid immediately to the other party as a manufactured payment. This payment is not reportable. However, if value of the collateral drops as a result of the payment (as it would in the case of a coupon or dividend), this consequence will be reflected in the relevant collateral update report.
- If, on the other hand, the distribution is made in securities and the repo is documented under the GMRA, it is likely that the GMRA Equity Annex will be applicable, in which case, subject to the agreement between the parties, the repo may be terminated (*Table 2, field 98, Action Type* = ETRM or MODI, depending on whether the termination is settled same day or later --- see recommendation 9.4) or, in the case of securities held as variation margin, the collateral may be substituted (which would be reflected in a collateral update report) or, if no termination or substitution occurs, the additional securities will also be treated as a manufactured payment, in which case, their transfer will not be reported (but any impact on the value of the remaining securities would be reported in the relevant collateral update report).
- If the distribution is made in cash under the GMRA where the Equity Annex applies, the seller is entitled to ask the buyer to substitute the relevant collateral security. If the buyer declines the request to substitute, the seller can try to terminate the relevant repo. If the buyer declines to terminate, a manufactured payment will be made. Substitution would be reflected

in a collateral update report. Termination would be reported as an early termination or a modification, as already explained.

If the corporate event converts the security wholly or partly into cash, the report to be made under SFTR will also depend on the underlying repo contract:

- If the cash is retained by the buyer or margin-holder and will be paid to the other party as "equivalent securities" at the end of the repo or, in the case of a GC financing repo, in a portfolio being collateralized on a net basis, when net collateral is reduced, the conversion will be reflected in the next collateral update report as a change in the composition of collateral into cash.
- If the cash from a corporate event is treated as a distribution and paid to the other party immediately as a manufactured payment, the payment will not be reportable but the reduction in the value of the collateral will be reflected in a collateral update report.

Corporate events affecting collateral will only have indirect consequences for the contractual terms of a repo, for example, if the prospect of a non-cash distribution leads the parties to agree to terminate the repo, in which case, there will be a termination or modification report (*Table 2, field 98, Action Type* = ETRM or MODI, depending on whether the termination is settled same day or later --- see recommendation 9.4). If the repo is replaced, there will also be a report for the new repo (*Table 2, field 98, Action Type* = NEWT). There is otherwise unlikely to be a modification report for a corporate event affecting repo collateral (other than to report a termination settled after the notice date).

One exception is a take-over by or merger of a party into another legal entity and the cancellation of its UTI. In this case, the LEI of *Table 1, field 3, Reporting Counterparty*, or of *Table 1, field 11, Other Counterparty*, will have to be changed. The substitution of the acquiring party's LEI would represent the creation of new contracts. To relieve parties of the burden of reporting terminations and replacements, ESMA has proposed that the acquiring party notifies the trade repository of the acquired party of the new LEI and other relevant changed circumstances, such as country code. The trade repository is then responsible for identifying and updating any outstanding transactions (final Guidelines of January 2020 pp.39-40, paras.159-164). Note that this reporting mechanism does not have any effect on contractual obligations under master agreements. Therefore, in order to use this mechanism, the acquiring party will have had to have agreed with the acquired party's counterparties to novate the original master agreement documenting outstanding repos and replace it with a new master agreement with the acquiring party.

Given that a corporate event affecting the collateral of a repo will probably be reported as part of a collateral update report or as an early termination, the *Event Date* will be the intended settlement date in the case of a collateral update report and the reporting deadline will be no later than the working day after settlement (S+1), and either the termination notice date or the termination settlement date for an early termination, depending on whether the termination is settled same day or later --- see recommendation 9.4.

Corporate events do not have specific execution times but new transaction and modification reports under SFTR (*Table 2, field 98, Action Type* = NEWT/MODI) require *Table 2, field 12, Execution Timestamp*. It is recommended that parties agree to report 01:01:01 on *Table 2, field 3,*

Event Date. This recommendation is based on the established use of this specific time in reports of corporate events under MiFIR and aligns with the recommendation by ISLA for reporting corporate events. As regards the *Event Date*, see recommendation 9.13.

Recommendation: The *Execution Timestamp* for corporate events should be 01:01:01 on the *Event Date*.

9.13 Should manufactured payments be reported?

Manufactured payments are a common repo market term for the income payments which the buyer in a repurchase transaction is contractually obliged to make to the seller whenever a coupon, dividend or other income is paid on collateral securities by the issuer to the buyer.

There is no way of expressly reporting a manufactured payment under SFTR. But there is also no need, as a manufactured payment will reduce *Table 2, field 88, Collateral Market Value*, for the security concerned and its effect will therefore be reflected in the end-of-day collateral update report for the relevant repo or portfolio of repos (*Table 2, field 98, Action Type* = COLU).

In the case of a security with an income record date that is different from the income payment date, the value of the security will change on the income record date but the manufactured payment may not be paid until the income payment date. Parties should assume the value of the collateral will change on the income record date.

Recommendation 1: Manufactured payments should not be reported given that their effect will be apparent in the end-of-day collateral update report.

Recommendation 2: In the case of a security with an income record date that is different from the income payment date, the value of the collateral should be assumed to change on the income record date

9.14 Is the shaping of delivery obligations to be reported?

It is best practice in the European repo market, and it is standard practice for some financial market infrastructures, to "shape" large obligations to deliver securities. This means that there is a maximum size or "shape" for delivery instructions, so a delivery obligation above this size is broken up into smaller deliveries.[127] For example, an obligation to deliver EUR 200 million of a particular issue could be shaped into four deliveries or shapes of EUR 50 million. Shaping is intended to ensure that at least some part of a delivery will succeed in the event of settlement difficulties, so that the economic impact on the market of any delivery problems will be reduced.

Shaping does not change the legal obligation of the delivering party to deliver the full quantity of securities that it contracted to deliver under the original contract nor does it create multiple contracts with new *UTIs*. Consequently, it would not be appropriate to report each shape as a separate repo.

Recommendation: Where a delivery obligation is shaped, parties should report a single repo for the full obligation and not several repos, one for each shape.

[127] "Shaping" here is a settlement procedure and does not refer to the allocation of "block trades" by agents (which is terminology used in the securities lending market).

9.15 How should pair-offs and other technical netting be reported?

A "pair-off" is an example of technical netting (also known as settlement netting or payment netting). Two parties agree to offset opposite payments in the same currency due on the same date and/or opposite deliveries of the same issue of securities due on the same day to/from the same custodian or depository to produce, for each day, a smaller single net payment in each currency and/or a smaller single net delivery in each issue of securities. Such technical netting reduces operational risk and costs and is an industry best practice. However, it does not change the contractual obligations of the parties to pay and/or deliver gross amounts and therefore the exposure of the parties (if one of the parties defaulted during settlement, technically-netted payment and delivery obligations could be unwound into their gross components). Accordingly, technical netting does not reduce the risk exposure of the parties to the risk of the other party defaulting. On this basis, pair-offs and other technical netting should not be reflected in reporting under SFTR.

Recommendation: Pair-offs and other technical netting should not be reported as they do not change the contractual terms of the transactions being netted.

9.16 How should fails be reported?

ICMA has previously recommended that failures to deliver collateral in a repo should not be reported, as failed settlement does not change the contractual obligations of the parties to a repo. In making this recommendation, ICMA was following the principle that SFTR should be interpreted so as to measure the contractual exposure of the reporting parties. In the case of a repo, because it is a sale and repurchase, the contract starts to operate on the value date regardless of whether the purchase leg settles or not, and ceases to operate on the maturity date regardless of whether the repurchase leg settles or not).

In addition, the reporting of failed settlement would force a bifurcation between the reporting of fails under SFTR and how fails are recorded in parties' books and records. And because such a requirement would diverge so fundamentally from international market practice, parties subject to SFTR will be constrained from aligning the treatment of failed settlement in their books and records with SFTR reporting requirements because of the conflicts that this would create in agreeing margin and settlement with counterparties who are out of scope of SFTR

Moreover, the reporting of settlement fails would be highly problematic in the case of CCP-cleared repos. This is because *CCPs* net deliveries to and from the same *Clearing Member* of the same security at the same depository taking place on the same day. Moreover, netted deliveries can be for the purchase and repurchase legs of repos and reverse repos, and for cash transactions. Consequently, if a *Clearing Member* fails to deliver a security to a *CCP*, or vice versa, it is not possible to definitively attribute the failure to any of the underlying portfolio of cleared repos. In theory, the netting could be unwound and the *CCP* could arbitrarily select a transaction or transactions (repo or cash) to which the failure would be fully or partially attributed. But, given that CCP-clearing is envisaged by regulators and market participants as a key mitigant of systemic risk and given the scale of cleared repos (which may represent in the order of 60% or more of the European repo market), it seems highly undesirable that netting by *CCPs* should be made vulnerable to fails. It also seems unnecessary, given the low incidence of fails of government bonds, which form the bulk of collateral for CCP-cleared repos, and it would be perverse to increase systemic risk because of reporting requirements that are intended to improve the monitoring of systemic risk.

The same argument applies equally to bilaterally-netted deliveries, for example, where two parties have 'pared off' opposite deliveries and payments.

Exempting the reporting of settlement failures in the case of CCP-cleared and bilaterally-netted repos is desirable in itself but is not without problems. This approach would bifurcate the reporting requirement on parties and significantly diminish the value of the residual requirement to report fails.

On the basis of these considerations, which were strongly endorsed by its SFTR Task Force, and in the absence of clear contrary guidance by ESMA, ICMA recommended that parties should not report the failed settlement of a repo. Parties have, in good faith, built this recommendation into the logic of their reporting systems.

ESMA's requirement for the reporting of failed deliveries in repos

SFTR and its related RTS and ITS make no mention of the reporting of failed settlement. The first reference appears in ESMA's draft Guidelines of May 2019 in the third row of Table 5 (p.37), where it says that a counterparty default or settlement fail should be reported as a termination/early termination (*Table 2, field 98, Action Type* = ETRM). ESMA was asked for clarification of this statement and ICMA argued that it would not be appropriate to report settlement fails for repos, in contrast to securities lending, given the particular contractual structure of a repo. This point was made very clearly during ESMA's industry workshop in July 2019 by all the relevant stakeholders.

ESMA's Guidelines of 20 January 2020 include contradictory statements on whether or not to report failed settlement. Paragraphs 94 and 98 advise that "temporary settlement fails" should not be reported (unless the transaction is amended or terminated in reaction to the fail). Row 2 of Table 6 (p.27) of the Guidelines is explicit in relation to the purchase leg ("The settlement of the opening leg, including a delayed settlement that does not result in a termination or other changes to the SFT, should not be reported separately"), as is paragraph 235 ("A temporary settlement fail on the expected Value date does not require any additional report…unless the counterparties agree to amend or terminate the transaction because of the settlement failure…").

Note that para.98 of ESMA's Guidelines require partial settlement (described as a "partial return") should be reported as a modification of a transaction (*Table 2, field 98, Action Type* = MODI).

In respect of failed settlement of the repurchase leg, paragraphs 114 and 115 of the Guidelines state that if, on the day following a termination, early termination or scheduled maturity date, the reporting parties become aware that the second leg of an SFT has failed to settle, they should withhold the termination or early termination report until settlement occurs or, in the case of a scheduled maturity, they should send a modification report to amend the maturity date to the date on which settlement is expected. It is noted that such a modification is only possible on the day following the original maturity date as, after this date, it would not be possible to amend the maturity date. The implication is that, if the failed settlement is discovered too late to modify the maturity date, a new SFT will have to be reported to extend the duration of the exposure.

On 27 January 2020, following publication of the final Guidelines, ICMA sought clarification and elaborated the arguments for not reporting failed settlement in the case of repos, including the problem of reporting the failed settlement of CCP-cleared repos. ESMA responded to ICMA in an e-mail of 25 May 2020, in which they state that paragraph 115 of the Guidelines require "the reporting of an amended maturity date in case of settlement failure". In regard to the problem of reporting the failed settlement of CCP-cleared repos, ESMA asked for a further explanation of the issue.[128]

[128] ESMA's question is "Could you please explain whether you refer to the netting of cash instructions or the netting of securities settlement instructions? Having regard to the fact that all the repos that are submitted to clearing are reported with ETRM (or POSC) and included in positions whose loan and collateral components should be known to the counterparties, what would be the impact of not knowing which underlying SFTs failed?" Note that position-reporting of CCP-cleared is not possible --- see recommendation 8.1 --- and the termination of repos submitted to clearing only applies to "prior repos" where a repo has not been transacted on a Trading Venue or not cleared on the same day.

ICMA's interim revised recommendations for the reporting of failed deliveries in repos

Given the late and incomplete clarification by ESMA of whether to report the failed settlement of repos, it was impracticable for many parties or third-party service-providers to amend their reporting systems to accommodate the reporting of the failed settlement of repos in time for the first go-live dates.

Further guidance from ESMA

In an e-mail of 23 September 2020 in response to ICMA's request for clarification about CCP-cleared repos, ESMA has directed that, if the settlement of the repurchase leg of a CCP-cleared repo fails and that failure cannot be attributed to an individual repo, that failure should be disregarded. This will be the case where deliveries and payments are netted, which is standard practice for CCP-cleared repos.

In respect of repos not cleared by a CCP, ESMA's guidance on settlement failures has not changed.

ESMA's latest guidance was confirmed in its Q&A 2, which was published on 5 November 2020.

ICMA's interim revised recommendations for the reporting of failed deliveries in repos <u>not</u> cleared by a CCP

The problem of attributing the failed settlement of a net delivery which includes one or more repurchase legs to any of the individual repos being settled by the net delivery applies not just to CCP-cleared repos but also to bilateral net deliveries. Given that it is undesirable to restrict netting and given that the principle underlying the guidance from ESMA on failed settlement of CCP-cleared repos is entirely applicable to repos not cleared by a CCP, it is recommended that, if the settlement of the repurchase leg of any repo fails and that failure cannot be attributed to an individual repo because of technical netting for the purpose of delivery, that failure should be disregarded.

Pending any change that ESMA may make on the reporting of fails on the repurchase leg of repos not cleared by a CCP, it is recommended that, for the purposes of reporting under SFTR:

- failure to fully or partially settle the purchase leg of a repo should <u>not</u> be reported; but
- failure to fully or partially settle the repurchase leg of a repo should be reported, except in the case of CCP-cleared repos and other repos settled net on a bilateral basis, for which it should be assumed that the settlement failures cannot be attributed to an individual repo.[129]

[129] In a response in February 2020 to questions posed by ISLA in the form of alternative reports in response to full and partial returns (reductions in transaction size), ESMA indicated different procedures. In the case of a failed full return (effectively, a termination), ESMA advised that a revised modification report should be made to roll the intended settlement date forward one working day at a time until successful settlement. But, for a failed partial return (effectively, a change in size), ESMA advised that no report should be made unless the return was cancelled. ESMA referred to para.98 of the Guidelines of January2020, which says that, "temporary settlement fails are not reportable as such unless they result in an amendment to the transaction". In addition, in Table 6 of the Guidelines (p.28), there are references to partial returns in rows 15 and 16. Row 16 specifically addresses the settlement failure of a partial return and states that "A delayed settlement that does not result in a cancellation of the partial return should not be reported". Row 15 indicates a MODI report for a partial return for all SFTs and states that, "The settlement of the partial return, including a delayed settlement that does not result in a cancellation of the partial return, should not be reported separately". However, differentiating the failed settlement of full and partial returns is illogical and is contradicted by later

Reporting the failed repurchase legs of fixed-term repos

In the case of a failure to settle the repurchase leg of a fixed-term repo, either fully or partially, and except in the case of CCP-cleared and bilaterally-netted repos, where the parties become aware of the settlement failure on the intended settlement date or on the next working day, but sufficiently before the reporting deadline, they should modify *Table 2, field 14, Maturity Date*, to the next working day using a MODI report and, each working day thereafter, should continue to roll the maturity date to the next working day by means of daily modification until settlement is confirmed or unless and until the repurchase is cancelled, either by agreement or through the exercise by the seller of a contractual remedy (eg the "mini close-out" provision of the GMRA) or there is a mandatory buy-in or cash compensation under a regulation such as CSDR.

In addition to modifying the maturity date, the repo rate should be set to zero because no repo interest accrues on a repo after maturity, even if settlement is late. And as a consequence of the zero repo rate, there should be no change in *Table 2, field 38, Principal Amount on Maturity Date*.

It is also recommended that *Table 2, field 9, Master Agreement Type*, and *Table 2, field 11, Master Agreement Version*, should remain unchanged. Although the modifications being reported are not contractual, the exposure created by failed settlement is governed by the legal agreement and it is more convenient to modify as few fields as possible.

This recommendation also applies to open repos terminated for a future date (that is, not for same-day termination) because these become fixed-term repos.

To summarize, the modification report arising from the failed settlement of the repurchase leg of a fixed-term repo (or of an open repo terminated for future settlement) should include the following fields:

- *Table 2, field 9, Master Agreement Type* = [unchanged]
- *Table 2, field 14, Maturity Date* = [working day after maturity date of matured repo]
- *Table 2, field 23, Fixed Rate* = 0.000%
- *Table 2, field 38, Principal Amount on Maturity Date* = [unchanged]

In the case of a fixed-term floating-rate repo, in order to report field 2.23 as zero, the following fields need to be deleted:

- *Table 2, field 25, Floating Rate*
- *Table 2, field 26, Floating Rate Reference Period - Time Period*
- *Table 2, field 27, Floating Rate Reference Period – Multiplier*
- *Table 2, field 28, Floating Rate Payment Frequency - Time Period*
- *Table 2, field 29, Floating Rate Payment Frequency - Multiplier*

guidance to ICMA, which states that para.115 of the Guidelines "always" requires the reporting of an amended maturity date in the case of settlement failure (e-mail to ICMA of 25 May 2020). Moreover, row 16 relates only to securities lending. And it is unclear what is meant in row 15 by "should not be reported separately" and whether this excludes the need to make a second MODI to defer the date of the partial return. Finally, row 14 of Table 6 makes no statement about what to do in the event of the failed settlement of a partial termination of repo and margin lending. Yet, there is no difference between a partial return and a partial termination. In the circumstances, and despite the inconsistences, parties should not report the failed settlement of a partial return (that is, an agreed change in the size of a transaction) unless the parties consequently agree to cancel the partial return.

- *Table 2, field 30, Floating Rate Reset Frequency – Time Period*
- *Table 2, field 31, Floating Rate Reset Frequency – Multiplier*
- *Table 2, field 32, Spread*

This procedure will have to be rolled over every working day until settlement is confirmed. If settlement is not imminent, parties could agree to modify a fixed-term repo by converting it, solely for SFTR reporting purposes, to an open basis by changing *Table 2, field 21, Open Term*. This would obviate the need for a daily roll-over of the modification report but it would require an ETRM report to be made when the repurchase successfully settled (in the case of a daily roll-over of the maturity date, no report is required because the repurchase data has been previously scheduled).

In the case that settlement failure is not detected until it is too late to modify the maturity date, ESMA provides no express guidance. However, in the Guidelines of January 2020, ESMA state that it is not possible to reverse a termination message made with field 2.98 = ETRM (see p.32, Table 6, row 56; see also paras.112-114). And in the Questions and Answers on SFTR Data Reporting published on 5 November 2020, ESMA state, "An amendment of the maturity date (S) would be possible only until the day following the maturity date (S+1). As from this date the SFT will no longer be outstanding and it will not be possible to "reopen" it." (see para.2(c)). Accordingly, where parties are unable to modify the maturity date of a failed repo within the two-day reporting window (maturity date and next working day), they will not be able to report the fail at all. In this case, they should record the fail that has not been reported and its eventual data of settlement and make this record available to the regulator.

Reporting the failed repurchase legs of open repos

In the case of an open repo being terminated for same-day settlement, the termination should be reported using an ETRM report but this should not be sent to the trade repository unless and until settlement has been confirmed (see paras.87 and 114, and Table 6 (row 56), of ESMA's Guidelines). See also recommendation 9.4.

Reporting partially-failed repurchase legs of repos

In the case of a partial failure to settle the repurchase leg of a repo, where the parties become aware of the settlement failure on the intended settlement date or on the next working day, but sufficiently before the reporting deadline, and where the seller accepts partial delivery on a non-contractual basis (in other words, the seller maintains the obligation of the buyer to deliver the full amount of collateral), the parties should also modify:

- *Table 2, field 37, Principal Amount on Value Date* = [remaining repurchase price]
- *Table 2, field 83, Collateral Quantity or Nominal Amount* = [nominal amount of failed portion of delivery]
- *Table 2, field 88, Collateral Market Value* = [value of failed portion of delivery]

Note that the modification of fields 2.83 and 2.88 will have to be made by means of changes in the end-of-day COLU report, given that they are collateral fields.

Other issues

Note also that COLU reports will continue to have to be made after the maturity date for repos which have suffered a settlement failure on the repurchase leg until that failure is remedied. These reports are required to offset the continued exposure being reported by means of the extension of the maturity date and the continued inclusion of these exposures in variation margining.

These reporting recommendations will require major modifications to existing systems and current procedures. It must be recognized therefore that the reporting of the failed settlement of the repurchase legs of repos is unlikely to become general much before the middle of 2021, even assuming that there are no other competing calls on the technical capacity available to the industry. In view of the likely length of the delay before most firms will be able to report failed repurchases, it is recommended that parties do not retrospectively correct failed repurchases ("back-dated" corrections) that occurred before they were able to implement such reports. In any event, it is currently not possible to make back-dated corrections more than one day after the maturity or termination date of a repo because of conflicts in the reporting rules. See recommendation 9.23.

When a party is ready to implement the reporting of failed repurchases, it should check whether its counterparties are also able to make such reports and consider whether and how the introduction of such reporting could be synchronized.

An additional challenge posed by the requirement to report failed settlement will be the introduction of auto-partialling facilities by securities settlement systems (including T2S). At present, securities settlement systems do not envisage reporting of automatic partial deliveries to users.
The rules and recommendations on reporting settlement failures are summarised in the table at the end of this recommendation.

Recommendation 1: Failure by a buyer to return collateral to a seller on the repurchase leg of a fixed-term repo that is not CCP-cleared or part of a net delivery between two parties should be reported as a modification of the maturity date of the repo to the next working day, where the failure is detected before the reporting deadline. If the failure continues, further modifications should be reported until settlement or the transaction is terminated. Alternatively, parties could agree to convert the repo into an open transaction for reporting purposes and terminate the transaction report upon confirmation of settlement.

Recommendation 2: Where failure by a buyer to return collateral to a seller on the repurchase leg of a fixed-term repo that is not CCP-cleared or part of a net delivery between two parties is not detected until after the deadline for reporting modification of the maturity date, the parties will not be able to report the fail at all. In this case, they should record the fail that has not been reported and its eventual data of settlement and make this record available to the regulator.

Recommendation 3: It should be assumed that a settlement failure involving CCP-cleared repos or net deliveries between two parties which include the repurchase legs of repos not cleared by a CCP cannot be attributed to any of the individual repos, in which case, the settlement failure should not be reported.

Recommendation 4: In the case of open repos, parties should not report termination unless and until settlement has been confirmed.

settlement event	SFTR report	source
failure to settle a purchase (start) leg	**no SFTR report**	Guidelines para.235; Guidelines Tab.6 (row 2)
termination of a failed purchase (start) leg by repo buyer	send an **ETRM** report when the termination notice is served	Recommendation 9.4
scheduled repurchase (end) of a fixed-term repo	**no SFTR report**	Guidelines para.111
same-day **termination** of an open repo or of a fixed-term repo with a termination option [aka same-day full return]	send an **ETRM** report once settlement has been confirmed	Guidelines paras.87, 114; Guidelines Tab.6 (row 56); Recommendations 9.4, 9.16
future (not same-day) **termination** of an open repo or of a fixed-term repo with a termination option [aka future-dated full return]	send a **MODI** report when the termination is agreed	Guidelines para.112(b); Recommendation 9.4
change of scheduled repurchase (end) date to another future date	send a **MODI** report when the termination is agreed	Guidelines para.112(b); Recommendation 9.4
change in the size of a repo [aka partial return]	send a **MODI** report on contractual/expected settlement date, with field *2.3 Event Date* = date of expected settlement	Guidelines Tab.6.15; Recommendation 9.2.5
failure to settle an agreed change in the size of a repo that does not lead to the cancellation of the change	**no SFTR report**	Guidelines para.98
failure to settle an agreed change in the size of a repo that leads to the cancellation of the change	**send a MODI report to reverse the MODI report about the change**	Guidelines para.98
failure to settle a delivery obligation to/from a CCP	**no SFTR report**	Q&A 5-Nov-2020 A.2(e).
failure to settle a bilaterally-netted delivery obligation	**no SFTR report**	Recommendation 9.16
failure to settle a gross delivery obligation on a repurchase (end) date	(1) if a fail is detected on the repurchase date or on the following working day --- send a **MODI** report delaying the reported repurchase date to the next working day and resetting the reported repo rate to zero (the modified reported repurchase date can be the next working day or the repo can be modified to an open term to be terminated when settlement is confirmed); (2) if a fail is not detected until after the working day following the repurchase date --- send **no SFTR report**; (3) if a 'mini close-out' under the GMRA is triggered by the failed party --- send a **MODI** report when the termination notice is served changing the repurchase date to the notified close-out date.	(1) Guidelines paras.114-115; Q&A 5-Nov-2020 A.2(b) (2) Q&A 5-Nov-2020 A.2(c)
partial delivery of a gross obligation due on a repurchase (end) date that is accepted by the repo seller but without a change to the contractual obligation of the failing repo buyer to deliver the full amount of equivalent securities	(1) if a partial delivery is confirmed on the repurchase date or on the following working day --- send a **MODI** report delaying the reported repurchase date and resetting the reported repo rate to zero for the failed portion of the delivery (the modified reported repurchase date can be the next working day or the repo can be modified to an open term to be terminated when settlement is confirmed); (2) if a partial delivery is not confirmed until after the working day following the repurchase date --- send **no SFTR report**.	Guidelines para.98

9.17 How should a default by a counterparty be reported?

The appropriate report in response to a default by a counterparty depends on how the non-defaulting party decides to respond to the default.

If the non-defaulting party decides to "close-out" (terminate) the master repurchase agreement with the defaulter, then all outstanding repo obligations will be accelerated for netting and settlement of the net amount. Depending on the master agreement, the obligations could be accelerated for immediate settlement (eg GMRA 2000) or to a future early termination date notified in advance to the defaulter (eg GMRA 2011). All variation margin held by both parties would be included in the net settlement. These procedures should be reported as early terminations of all outstanding repos with the defaulter. Holdings of variation margins transferred between the parties should be reported as being reduced to zero. If the early termination is to take place immediately (as under the GMRA 2000), the report should use *Table 2, field 98, Action Type* = ETRM.

If, however, an early termination date is set for a future date (as under GMRA 2011), then *Table 2, field 98, Action Type* = MODI. The date to which acceleration takes place would be reported in *Table 2, field 3, Event Date*. See recommendation 9.4. Collateral update reports (*Table 2, field 98, Action Type* = COLU) for the terminated repos and variation margins will cease. Close-out amounts should not be reported as they are not SFTs.

If, however, the non-defaulting party decides to apply a condition precedent (see paragraph 6(j) of the GMRA), no further loan reporting will be required until the condition precedent is disapplied, as payments and deliveries of securities will cease. However, collateral update reports (*Table 2, field 98, Action Type* = COLU) should continue to be made whenever the value of the collateral changes while the condition precedent applies.

It is probable that the defaulting party may stop reporting under SFTR. In this case, reports of repos with that counterparty will not be matched and so will be rejected. Non-defaulting parties should nevertheless continue to report until all repos have been terminated. It may be prudent to send a copy of any notice of default or early termination to the regulator.

Recommendation: If a party defaults and the non-defaulting party decides to close out the relationship, this should be reported as an early termination of all repos with that party as of the termination date. Variation margin should be reported as zero. However, if the non-defaulting party decides to exercise a condition precedent, it should suspend further loan reporting until the condition precedent is disapplied but continue with collateral update reports. Any default, early termination or similar notice should be copied to the regulator.

9.18 How should multiple modifications made during the same be reported?

If several modifications are made to a repo on the same day, they should not be reported separately but should be included in a single end-of-day the modification report (*Table 2, field 98, Action Type* = MODI) (see Final Report of January 2020, p.62, para.372). The same rule applies to correction reports (*Table 2, field 98, Action Type* = CORR).

9.19 Do cancelled repos have to be reported?

Occasionally, a repo is negotiated between two parties only for it to become apparent (perhaps following an exchange of confirmations) that they disagree on the terms and conditions of the transaction. If the parties cannot resolve the disagreement and they decide, before the end of the transaction day, to cancel the repo, it should not be reported to the trade repository because the parties agree that no contract came into existence. It does not matter whether one or both parties have entered their version of the transaction into their books and records.

If two parties have agreed on the terms and conditions of a repo but one of the parties then decides that it should not have transacted the repo, provided the other party agrees to cancel the repo on the transaction date and the parties have not reported the repo to the trade repository, it is recommended that the parties should not make a report. This approach is consistent with ESMA's final Guidelines of January 2020 (p.23, para.100) and its guidance on same-day cancellations in MiFIR reporting.

If a disagreement on the terms and conditions of a transaction is not discovered until after the parties have reported to the trade repository and is discovered because the reports cannot be fully reconciled (assuming the difference is in a matching data field), the parties will have to either:

- resolve the difference between them and submit correction reports (*Table 2, field 98, Action Type*= CORR); or
- if the parties are unable to reach agreement, recognize that a contract probably did not exist between them and cancel the repo by sending an EROR message *Table 2, field 98, Action Type*= EROR).

9.20 When can correction (CORR) reports be made?

Correction reports (*Table 2, field 98, Action Type* = CORR) are intended for unilateral changes by one of the parties to loan or collateral data after the reporting deadline or for correcting margin update or collateral re-use reports (*Table 2, field 98, Action Type* = NEWT or MARU/REUU, depending on whether the report is the first of its type by a party or a subsequent report).

If the report of a new repo (*Table 2, field 98/Table 3, field 20/Table 4, field 18, Action Type* = NEWT) or of an early termination (*Table 2, field 98, Action Type* = ETRM) fails to match due to a mistake which is discovered subsequently, the reporting party cannot send a corrected version of the report, with field 2.98/3.20/4.18 = NEWT, as trade repositories will only accept one report with these *Action Types* for the same transaction (that is, a transaction with the same parties and *Table 2, field 1, UTI*). Instead, a correction report (*Table 2, field 98, Action Type* = CORR) should be sent.

ESMA's final Guidelines of January 2020 have expressly addressed the issue of correcting reports in the case of collateral, margin and re-use update reports (*Table 2, field 98/Table 3, field 20/Table 4, field 18, Action Type* = COLU/MARU/REUU). These are end-of-day reports, so any mistakes to be corrected before the reporting deadline --- that is, on the *Event Date* of those reports or on the next working day --- should not be corrected using a correction report (*Table 2, field 98/Table 2, field 20/Table 2, field 18, Action Type* = CORR). Instead, a corrected version of the report should be sent, which will over-write the previous report.

Correction reports should only be used if the correction is "back-dated", that is, they are to be made after their reporting deadline, which is the working day after the date as of which these reports measure the outstanding balance of collateral (p.18, para.75). For example, in the case of a collateral, margin or re-use update report, if a report for the end of the day on Monday is made by midnight on Tuesday, no corrections should be reported until Wednesday. Instead, a corrected collateral, margin or re-use update report, as the case may be, should be made before the reporting deadline. This will over-write the incorrect report if it is received by the trade repository before the reporting deadline. After the initial collateral, margin or re-use update report has been made and the reporting deadline has passed, subsequent corrections should be made using correction reports (*Table 2, field 98/Table 3, field 20/Table 4, field 18, Action Type* = CORR), except in the case of corrections to collateral against a net exposure (*Table 2, field 73, Net Collateralization of Exposure* = TRUE). In the latter case, a correction report would require a UTI, which is not applicable for net collateralization. Therefore, a corrected version of the collateral update report would be sent to the trade repository.

Note that the objective of a back-dated correction, in terms of whether or not it is intended to change the current Trade State Report for a transaction, will determine *Table 2, field 3, Event Date*. See recommendation 9.23.

The same principles apply to modification reports (*Table 2, field 98, Action Type* = MODI) that fail to match because of a mistake. If the mistake is corrected before the reporting deadline, a corrected version of the report should be sent to over-write the previous incorrect report. But if

the mistake is to be corrected after the reporting deadline, a correction report (*Table 2, field 3/Table 3, field 2/Table 4, field 98, Action Type* = CORR) should be sent.

Note that corrections of several previous reports which have been rejected by the trade repository should be made in the chronological order in which the rejected reports were made in terms of *Table 2, field 3/Table 3, field 2/Table 4, field 2, Event Date* (pp.21-22, para.88). Where such corrections are made on the *Event Date* of a report or on the next working day --- that is, within the reporting window --- and the corrections change the end-of-day details of a transaction, parties must make whatever additional reports are necessary to ensure that the trade repository amends the current record of the transaction.

Correction of *Table 2, field 14, Maturity Date*, or *Table 2, field 15, Termination Date*, cannot be used to revive a transaction after the reporting window for the *Maturity Date* has closed (that is, after the following working day) nor after the termination report has been received by the trade repository, as these transactions will no longer exist as live transactions in the records of the trade repository. If a transaction has been mistakenly terminated, the continued exposure will have to be recreated by reporting a new transaction with *Action Type* = NEWT (and a new UTI in *Table 2, field 1, UTI*).

While it is not possible to retrospectively correct the *Maturity Date* more than one working day later or to correct the *Termination Date* after a termination report has been received by the trade repository, it is possible to correct other data fields after the *Maturity Date* plus one working day or after a termination report. Such a "back-dated" correction requires that field 2.3 (*Event Date*) in the CORR report be reported as the date of the report to be corrected. But note that such a correction will only be included in the Daily Activity Report by the trade repository and not the Trade State Report. It is not possible to correct the Trade State Report after the reporting window for a *Maturity Date* has closed or after a termination report, as this would require the *Event Date* to be reported as the current date (see Recommendation 9.23) but this cannot be done, as the *Event Date* cannot be later than the *Maturity Date* under the Validation Rules. This means that the 30-day window after maturity or termination, within which trade repositories will recycle unreconciled reports to allow correction, cannot in practice be used to perform this function as reconciliation is of Trade State Reports.

A CORR report cannot be used to correct data about collateral allocated against a net exposure (*Table 2, field 73, Net Collateralization of Exposure* = TRUE). This is because a CORR report requires a UTI, which is not applicable to COLU reports of net collateral. Therefore, in this case, a corrected version of the COLU report should be sent to the trade repository

9.21 Reporting the termination of open repos

Open repos are transacted without a repurchase date but with an option for either the buyer or seller to terminate the transaction on any day in the future subject to an agreed period of notice. When transacted, the parties should report a new repo and include the following fields in the report:

- *Table 2, field 3, Event Date* = [transaction date (T)]
- *Table 2, field 14, Maturity Date*= [blank]
- *Table 2, field 21, Open Term*= TRUE
- *Table 2, field 38, Principal Amount at Maturity*= [blank]
- *Table 2, field 98, Action Type*= NEWT

When an open repo is terminated by one of the parties, the termination should be reported as either:

- early termination (*Table 2, field 98, Action Type*= ETRM) --- if the termination settlement date is the same day as the notice to terminate (T+0);
- modification (*Table 2, field 98, Action Type*= MODI) --- if the termination settlement date is on a future date (T+1 or later).

In addition, in the case of an ETRM report, the report should include the following data fields:

- *Table 2, field 3, Event Date* = [date of notice of termination]
- *Table 2, field 15, Termination Date*= [repurchase date]
- *Table 2, field 98, Action Type* = ETRM

But, in the case of a modification, the report should include the following data fields:

- *Table 2, field 3, Event Date* = [date of notice of termination]
- *Table 2, field 14, Maturity Date*= [repurchase date]
- *Table 2, field 16, Minimum Notice Period* =[blank]
- *Table 2, field 21, Open Term*= FALSE
- *Table 2, field 38, Principal Amount at Maturity*= [repurchase price]
- *Table 2, field 98, Action Type* = MODI

Note that an open repo terminated for future settlement (that is, not same day) becomes a fixed-term repo for the settlement period of the repurchase leg.

9.22 "Back-dating" reports (making late reports)

"Back-dating" is a term sometimes used to describe late reporting. If the report of a new transaction is not made by the deadline of T+1 --- which would be a breach of reporting requirements --- it needs to be made as soon as possible afterwards. If only one party is late, then its report needs to match the earlier report of the other party in respect of matchable fields. If both parties are late, then they need to agree matchable fields, including various dates.

Under the Validation Rules:

- The *Table 2, field 3, Event Date* (not matchable) must be the same or earlier than the *Table 1, field 1, Reporting Timestamp* date; the same or later than the *Table 2, field 12, Execution Timestamp* date (matchable); and the same or earlier than the *Table 2, field 14, Maturity Date* or *Table 2, field 15, Termination Date* (matchable).
- *Table 2, field 13, Value Date* (matchable) must be the same or later than the *Execution Timestamp* date.

This means that it is technically possible to report the *Event Date* and *Value Date* of a late report as the day before the delayed *Reporting Timestamp* date. However, ESMA requires the *Event Date* of a new transaction to be the same as the transaction date (T). And, in order to accurately reflect the contractual terms of the transaction, the *Value Date* should be the actual purchase date, which is the same as the settlement date (S). Accordingly, a late report should include the following time and date fields:

- *Table 2, field 3, Event Date* = [actual transaction date (T)]
- *Table 2, field 12, Execution Timestamp* = [actual time and date of execution on T]
- *Table 2, field 13, Value Date* = [actual purchase date (S)]

Should the reporting parties have no record of the execution time (which is required for field 2.12), it is recommended that they agree to report 01:01:01 on the transaction date (T). This recommendation is based on the established use of this specific time in reports of corporate events under MiFIR and aligns with the recommendation by ISLA for reporting corporate events.

Late reports after termination

If a late report is made of a transaction that has already been terminated, the Trade State Report for that transaction will not be updated. As reconciliation by the trade repository is of Trade State Reports, this means that the reports of the termination will never be reconciled. In this case, the late reporting party should inform the other party and both parties should document the reason for the reconciliation failure in order to explain the problem to the regulator.

If the termination of a repo (*Table 2, field 98, Action Type* = ETRM) has not been reported within the reporting window (one the day of termination or the next working day), it is possible to retrospectively update the Trade State Report with the termination (see ESMA's Q&A 7(c). The late ETRM report should include:

- *Table 2, field 3, Event Date* = [termination date]
- *Table 2, field 15, Termination Date* = [termination date]

Recommendation 1: In the case of late reporting, if the reporting parties have no record of the execution time, it is recommended that they agree to report 01:01:01 on the transaction date (T).

Recommendation 2: If a late report is made of a transaction that has already been terminated, the reports of the termination will never be reconciled. The late reporting party should inform the other party and both parties should document the reason for the reconciliation failure in order to explain the problem to the regulator.

9.23 "Back-dating" changes to reports

ESMA's Guidelines of January 2020 require modification, collateral update and correction reports to be submitted to the trade repository in chronological order in terms of *Table 2, field 3, Event Date* (para.82). The Guidelines also require a trade repository to ingest these reports in the order in which they are received (para.85). These two rules can sometimes conflict. When they do, the Guidelines require priority to be given to the chronology of receipt by the trade repository rather than the chronology of the *Event Dates* reported by the reporting parties (para.83).

A conflict will occur when a modification, collateral update or correction report is late or "back-dated" --- which means that field 2.3 is reported as being earlier than the start of the current reporting window. This window is open from the transaction date (for MODI and CORR reports) or settlement date (for COLU reports) to the next working day. For example, if today is Wednesday, the current report window is open for events back to Tuesday, so a back-dated report would be one with an *Event Date* before Tuesday.

Giving priority to the chronology of receipt by the trade repository means that the trade repository will ignore the *Event Date* of a back-dated report and treat the report as though it applies to the current reporting window.[130] Consequently, a back-dated MODI, COLU or CORR report would amend the current Trade State Report at the trade repository for the transaction in question on the basis that it is the latest report to be received (para.84). Had there been any modifications, collateral updates or corrections reported after the *Event Date* of the back-dated report, those subsequent modifications, updates or corrections would be overwritten by the back-dated report. For example, assume a repo is re-rated with effect from Monday and again with effect from Tuesday. The first modification should have been reported by the end of Tuesday and the second by the end of Wednesday. However, if the first MODI report was not made until Thursday (two days late), the trade repository would overwrite the Trade State Report for Wednesday with the data in the first MODI report, given that it is the latest to be received, even though the back-dated MODI report has an earlier *Event Date*. The consequence would be that the repo rate would be shown as the earlier rate.

To overcome this problem, the Guidelines require the trade repository not to apply the data in a back-dated MODI, COLU or CORR report to the Trade State Report for the *Event Date* in the back-dated report (para.99).[131] However, the modification, collateral update or correction will be included in the Daily or Trading Activity Report by the trade repository (para.84)[132] --- except if the proposed amendment is to change the *Maturity Date* or *Termination Date* (*Table 2, field 2.14* and *field 2.15*, respectively) of a transaction that has already matured and for which the reporting window for the maturity date has closed (later than the working day after the maturity date) or after a termination report has been received by the trade repository, as such changes are not

[130] The only cases in which the trade repository is required to not ignore the Event Date of a back-dated report are: (1) if the Event Date is a future date (para.83); (2) if the Event Date is later than the Maturity Date or Termination Date of a reported transaction (para.83(a)); or (3) if the back-dated report tries to change the Maturity Date (para.83(b)). In any of these cases, the trade repository will reject the report.

[131] It is essential not to confuse the current record of a transaction held by a trade repository --- what might be called the "latest state of a trade" --- with the Trade State Report, which is a snapshot, taken at the end of a reporting window, of a transaction and sent to the reporting parties in a message compliant with ISO XML Schema auth.079).

[132] This is a replay of the day's reports sent to the reporting parties in a message compliant with ISO XML Schema auth.052).

permitted. Note that ESMA wish to see changes or corrections that have not been submitted within their reporting deadlines to be sent as back-dated reports that will appear only in the Daily or Trading Activity Report.

However, following a back-dated MODI, ESMA requires (see Question 6 of ESMA's Q&A of 28 January 2021) that the reporting parties also submit a MODI report updating the latest Trade State Report, which means the *Event Date* of that report must be the same as the reporting date (see Guidelines para.83(b)).[133] This MODI report should include the latest data for the transaction. For example, if a repo is modified with effect from Wednesday, the modification should be reported on Thursday. If it is not reported until Friday and the modification persists until then, the back-dated MODI report must include field 2.3 = Friday in order for the modification to be incorporated into the Trade State Report of the transaction for that *Event Date*. Note that this approach breaches the RTS on transaction reporting by violating the definition of field 2.3 but the Guidelines should be given precedence in order to ensure a workable procedure.

This procedure would also seem to be required for back-dated COLU and CORR reports.

It is possible to make a back-dated report of the termination of a repo. To do this, parties should send a termination report (*Table 2, field 98, Action Type*= ETRM) with the historic *Event Date* and *Termination Date*. Upon receiving such a report, the trade repository is required to update the latest Trade State Report for the relevant transaction and close the transaction record (see ESMA Q&A 7(c)),

[133] Note also that Trade State Reports cannot otherwise be modified, updated or corrected after the reporting window for a *Maturity Date*, after a termination report has been received by the trade repository or after cancellation, as this would require the *Event Date* to be reported as the current date (see Recommendation 9.23) but this cannot be done, as the *Event Date* cannot be later than the *Maturity Date* under the Validation Rules (see also ESMA Q&A 7(b)).

9.24 “Back-dating” the Reporting Timestamp (field 1.1)

Table 1, field 1, Reporting Timestamp, is the date and time of the submission of a report by a reporting party to the trade repository. In the case of “back-dated” reports, this field should still be the actual date and time of submission, and should not itself be back-dated.

9.25 The reporting and sequencing of Action Types (field 2.98)

Reports to the trade repository should include the appropriate code in *Table 2, field 98, Action Type* (RTS on transaction reporting, Article 1(2)). Moreover, there are rules about the correct sequencing of reports in terms of their *Action Types* (ESMA's Guidelines of January 2020, pp.19-22, para.79-91 and Tables 2-4).

9.25.1 New reports --- Action Type NEWT

Action Type = NEWT should be the very first *Action Type* for any transaction reporting. No transaction can be modified, updated, terminated, corrected or cancelled unless it has previously been reported as a new transaction. Any report with an *Action Type* other than NEWT which has not been preceded by a report with *Action Type* = NEWT will be rejected by the trade repository.

Action Type = NEWT should also be the first *Action Type* reported in respect of any margin or collateral re-use. Thus, no margin report with *Action Type* = MARU or re-use update report with *Action Type* = REUU will be accepted by the trade repository unless the first margin report or first re-use report respectively has already been made with *Action Type* = NEWT.[134]

Note that, if a new report is made after the reporting deadline (T+1) --- a late or "back-dated" report --- *Table 1, field 1, Reporting Timestamp*, should be the actual date and time of the late submission of the report and should not itself be back-dated. See recommendation 9.24.

Following the effective abolition of the "back-loading" requirements laid out in SFTR Article 4(1)(a), the modification, updates, termination, correction or cancellation of repos transacted before the reporting party's particular reporting deadline (go-live date) should not be reported unless the reporting party has opted to back-load these transactions despite not being required to do so. This means that reports of collateral against net exposures, as well as of margin and collateral re-use, will unavoidably reflect historic transactions that have not been back-loaded. The regulator is aware of this inconsistency.[135]

If a NEWT report is discovered to be incorrect, one of two actions are required:

- If the incorrect data field is:
  - *Table 1, field 3, Reporting Counterparty* or
  - *Table 1, field 11, Other Counterparty* or
  - *Table 2, field 1, UTI*

  the NEWT report should be cancelled (*Action Type* = EROR) and replaced with a new NEWT report with a new *UTI*, because a second (corrected) NEWT report with the same combination of these three fields will not be accepted by the trade repository.
- If any other data field is incorrect, a CORR report should be sent.

[134] Note that *Action Type* NEWT is data field 3.20 for margin updates and 4.18 for re-use reports.

[135] In the case of collateral re-use, there is direct link between transaction reporting and reports of collateral re-use.

Note that the correction of a NEWT report may invalidate subsequent modifications, updates and corrections relating to the relevant transaction. These will have to be corrected as well.

9.25.2 Modification reports --- Action Type MODI

A modification report (*Action Type* = MODI) should be made whenever there is a bilaterally-agreed change in the contractual terms of a previously-reported transaction or the unilateral exercise of a pre-agreed option in a previously-reported transaction --- which will change counterparty data fields within the range 1.1-1.18 or loan data fields within the range 2.2-2.50 --- other than where the change is:

- in any of the data fields within the range 2.73-2.95 --- which describe the specific details of collateral --- in which case, the change is reported using a collateral update report (*Action Type* = COLU) --- see the section on collateral updates;
- a correction after the reporting deadline of a mistake in a report that has been submitted to the trade repository --- in which case, the change is reported using a correction report (*Action Type* = CORR) --- see the section on corrections;
- the termination of an open repo for same-day settlement (see below) --- in which case, the change is reported using a termination report (*Action Type* = ETRM) --- see below;
- an agreed change in the future maturity date of a fixed-term repo (T+1 or later) to the date of the agreement (see below) --- in which case, the change is reported using a termination report (*Action Type* = ETRM);
- the cancellation of a transaction (see below) --- in which case, the change is reported using an error or cancellation report (*Action Type* = EROR).

In the case of an early termination where settlement is not on the same day as the agreement or service of notice to terminate (not on T+0), it would be inappropriate and problematic to use an ETRM report. This is because, under ESMA's Validation Rules, *Table 2, field 3, Event Date,* cannot be later than the reporting date, which means that a future settlement date would require a reporting party to hold back its report of a termination until the settlement date. This delay would be misleading as to the exposure of the parties, which changes on the date of the decision or agreement to terminate. It has also been argued that holding back reports would be operationally challenging to implement.

Accordingly, in order to provide a more accurate picture of the exposure of the parties and to avoid the operational need to hold back reports, it is recommended that, where a transaction is terminated --- whether it be an open, fixed-term or evergreen repo --- and the settlement of the termination is not on the same day as the agreement or service of notice to terminate (in other words, termination is on T+1 or later), *Action Type* MODI should be reported instead of ETRM. Use of ETRM should be limited to reports of the termination of open repos and the early termination of fixed-term repos where the settlement of termination happens on the same day as the agreement or service of notice to terminate (settlement on T+0).[136] See recommendation 9.4.

[136] Note that ESMA have confirmed that the *Event Date* (*Table 2, field 3*) for an early termination (*Table 2, field 98, Action Type* = ETRM*)* should be the date of settlement and for a modification (*Table 2, field 98, Action Type* = MODI*)* should the date on which the modification takes effect.

Note that it is not possible to modify the following counterparty and loan data fields in a report that has been submitted (even before the reporting deadline) other than by reporting a new transaction because these fields must form a unique set for each transaction:

- *Table 1, field 3, Reporting Counterparty;*
- *Table 1, field 11 Other Counterparty;*
- *Table 2, field 1, UTI.*

Note also that only one MODI report should be made on any working day. Where there are several modifications to a transaction during the course of the same working day, parties should not make an individual MODI report for each modification (see ESMA's Guidelines and Final Report of January 2020, p.25, paras.112 and 114, and p.61, para.372, respectively).[137] See recommendation 9.5.

Modification of *Table 2, field 14, Maturity Date*, or *Table 2, field 15, Termination Date*, cannot be used to revive a transaction after the reporting window has closed for its scheduled *Maturity Date*, that is, after the end of the working day following maturity. Nor can a MODI report revive a transaction after a termination or cancellation have been reported with *Action Types* ETRM or EROR, respectively. If a transaction has been mistakenly terminated or cancelled, the continued exposure will have to be recreated by reporting a new transaction with *Action Type* = NEWT (and a new UTI in *Table 2, field 1, UTI*).

While it is not possible to retrospectively modify the *Maturity Date* more than one working day later or to modify the *Termination Date* after it has been reported, it is possible to modify other data fields after the *Maturity Date* plus one working day or after the *Termination Date*. Such a "back-dated" modification requires that field 2.3 (*Event Date*) be reported as the date of the modification. But note that such a modification will only be included in the Daily or Trading Activity Report by the trade repository and not the Trade State Report. It is not possible to amend the Trade State Report after the reporting window for a *Maturity Date* has closed or after termination has been reported, as this would require the *Event Date* to be reported as the current date (see Recommendation 9.23) but this cannot be done, as the *Event Date* cannot be later than the *Maturity Date* or *Termination Date* under the Validation Rules.

See recommendation 9.2.5 for information about the content of MODI reports. And see sample report 3.2 for a comparison of the use of ETRM and MODI *Action Types*.

[137] The references quoted above to statements in ESMAS's final Guidelines and Final Report of January 2020 endorsing the recommended use of MODI and ETRM for reporting the termination of an open repo or the early termination of a fixed-term repo is contradicted by other statements (see para.110 and Table 5). However, these are believed to be mistakes and the recommendation above stands.

9.25.3 Collateral update reports --- Action Type COLU

"A counterparty to an outstanding SFT shall report any modification of the details relating to the collateral data in Fields 75 to 94 of Table 2 of Annex I with action type “Collateral update” (ITS Article 5(3)). In other words, fields 2.75 to 2.94 must only be changed using a COLU report (*Action Type* = COLU). A MODI report (*Action Type* = MODI) should not be used.

One of the uses of COLU reports is to report the substitution of collateral where the substitution is a variation in the contractual terms of a transaction, in other words, where the contract is not terminated and replaced with a new one with a different collateral allocation.[138]

ESMA’s draft Final Report of March 2017 (page 44, Table 2) indicated that *Action Type* = COLU should not be used in a report of a buy/sell-back. However, ESMA’s draft Guidelines has reversed this exception (p.39, Table 5). See recommendation 7.1.

A COLU report is required for each outstanding transaction or for each portfolio of repos where that portfolio is collectively collateralized by a single pool of collateral (net collateralization) whenever there has been a change to “at least one of the data elements pertaining to the collateral” since the previous report (Guidelines of January 2020, p.18, para.74).

A COLU report should be made in respect of every working day during which the composition and/or value of collateral changes, except the repurchase date, the early termination date of a fixed-term repo, the termination date of an open repo or a fixed-term repo with a termination option subject to a standard termination notice period, since the repo ceases to exist on those dates (Article 5(3) of the ITS on transaction reporting).[139]

For repos collateralized with a fixed-income security at trade level, there should be a COLU report every working day for each repo, as the accrual of coupon interest will automatically change the market value of the security. There are no thresholds for COLU reports.

A COLU report is an end-of-day snapshots of the outstanding balance of collateral given and/or taken by a reporting party, so only one report should be made per working day for each transaction or portfolio as applicable. Should more than one COLU report be made for same piece or pool of collateral, the later report will automatically over-write the earlier report(s).

A COLU report should give all the collateral details of the repo --- in data fields 2.75 to 2.94 --- even those details that have not changed (Guidelines of January 2020, p.18, para.74). In other words, collateral updates are not “delta” reports and all relevant collateral data fields within the

[138] If substitution is performed by an early termination of a transaction and the creation of a new replacement transaction for the substitute collateral --- provided these are contractual events and not merely operational simulations (see recommendation 9.1) --- there will be an early termination report (*Table 2, field 98, Action Type* = ETRM, where termination is settled on the same day as the termination notice, or MODI, where termination is settled later than the termination notice --- see recommendation 9.4) and a new transaction report (*Table 2, field 98, Action Type* = NEWT) for the repo of the substitute collateral. No further collateral update reports would be required for the terminated repo.

[139] "The counterparty shall report those modified details as they stand at the end of each day until it reports the termination of the SFT, or it reports the SFT with action type “Error”, or until the SFT reaches its maturity date, whichever is the earlier."

range 2.75 to 2.94 must be repeated in each collateral update report, even if only one or some of these fields have changed.[140] See recommendation 9.5.

Where collateral is allocated from a basket but the collateral allocation is not known in time to report by T+1, it can be delayed but no later than S+1.[141] See recommendation 6.4.

In the case of intra-day repos, while the loan details should be reported, it will not be possible to include any collateral details in the end-of-day collateral update report as there will be nothing still outstanding at the end of the day. A zero collateral update report therefore has to be made. See recommendation 1.5.

Should an incorrect COLU be made and the mistake discovered in time to correct it before the reporting deadline (the end of S+1), a CORR report should not be used to make the correction. Instead, a corrected COLU report should be submitted (see Guidelines, p.18, para.75).

If an incorrect COLU report is discovered after the reporting deadline, a "back-dated" CORR report should be used where only one party needs to make a correction (see below). If both parties need to make the same correction, a corrected COLU report is required

When an individual security ceases to be used as collateral, there is no need to include its ISIN and a zero value in the subsequent collateral update report, as the blank data fields in the subsequent report will automatically overwrite the previous report held by the trade repository.[142]

See section 6 and recommendations 9.2.1 and 9.3 for information about the content of COLU reports.

[140] The proposal for full reporting was endorsed by ESMA in its final Guidelines of January 2020 (p.18, para.74).

[141] So, if the identity of that collateral is known before S+1, then the relevant collateral update report cannot be delayed until S+1. For example, where the settlement date (S) is on T+2, if the identity of the collateral is known on T+1, it must be reported on T+2 (S) and not S+1.

[142] There is a remote possibility, for portfolios of repo collateralized on a net exposure basis and for variation margins for non-bilaterally-cleared repos (which are also calculated on a net exposure basis), that the value of collateral falls to zero. In these cases, collateral data fields cannot be left blank, as trade repositories will assume that the previous report still describes the outstanding collateral. If this happens, it is recommended that parties submit a "token zero report" to indicate to the trade repository that collateralization has ceased. It is recommended that this token zero report would be limited to three collateral fields:

- *Table 2, field 75, Type of Collateral Component* = CASH
- *Table 2, field 76, Cash Collateral Amount* = [0]
- *Table 2, field 77, Cash Collateral Currency* = [EUR]

9.25.4 Termination/Early Termination reports --- Action Type ETRM

A termination/early termination report, with *Action Type* = ETRM, was intended to be the *Action Type* to classify two types of report:

- termination of an open repo or a fixed-term repo with a termination option subject to a standard termination notice period or an evergreen repo --- where the party giving notice of termination is exercising a pre-agreed option;
- early termination of a simple fixed-term repo --- this would be the case where the party seeking to terminate the transaction has no pre-agreed right to do so but has secured the ad hoc agreement of the other party.

In the case of a termination that would not be settled on the same day as the agreement or service of notice to terminate (not on T+0), it would be inappropriate and problematic to use an ETRM report. This is because, under ESMA's Validation Rules, *Table 2, field 3, Event Date,* cannot be later than the reporting date, which means that a future settlement date would require a reporting party to hold back its report of a termination until the settlement date. This delay would be misleading as to the exposure of the parties, which changes on the date of the decision or agreement to terminate. It has also been argued that holding back reports would be operationally challenging to implement.

Accordingly, in order to provide a more accurate picture of the exposure of the parties and to avoid the operational need to hold back reports, it is recommended that, where a transaction is terminated --- whether it be an open, fixed-term or evergreen repo --- and the settlement of the termination is not on the same day as the agreement or service of notice to terminate (in other words, termination is on T+1 or later), *Action Type* MODI should be reported instead of ETRM. Use of ETRM should be limited to reports of the termination of open repos and the early termination of fixed-term repos where the settlement of termination happens on the same day as the agreement or service of notice to terminate (settlement on T+0).[143] See recommendation 9.4.

Termination/early termination reports must include *Table 2, field 15, Termination Date*.

Once a termination/early termination is reported to the trade repository, it is not possible to change the *Termination Date* by using MODI or CORR reports. See recommendation 9.6.

However, it is possible to make a back-dated report of the termination of a repo (that is, to report the termination of a repo that the trade repository sees as outstanding because its termination has not yet been reported). To do this, parties should send a termination report (*Table 2, field 98, Action Type*= ETRM) with the historic *Event Date* and *Termination Date*. Upon receiving such a report, the trade repository is required to update the latest Trade State Report for the relevant transaction and close the transaction record (see ESMA Q&A 7(c)), See recommendation 9.23. See recommendation 9.2.6 for information about the content of ETRM reports.

[143] Note that ESMA have confirmed that the *Event Date* (*Table 2, field 3*) for an early termination (*Table 2, field 98, Action Type* = ETRM*)* should be the date of settlement and for a modification (*Table 2, field 98, Action Type* = MODI*)* should the date on which the modification takes effect.

9.25.5 Correction reports --- Action Type CORR

Correction reports, with *Action Type* = CORR, are intended to classify the following types of changes:

- unilateral changes by one of the parties after the reporting deadline to counterparty data in NEWT, MODI and ETRM reports (with the exception of changes to the *Reporting Counterparty* or *Other Counterparty*, which cannot be made once a NEWT report has been submitted to the trade repository, even before the reporting deadline);
- unilateral changes by one of the parties after the reporting deadline to incorrect loan data in NEWT, MODI and ETRM reports (with the exception of changes to the *UTI*, which cannot be changed once a NEWT report has been submitted to the trade repository, even before the reporting deadline);
- unilateral changes by one of the parties after the reporting deadline to collateral data in COLU reports;
- changes by either party after the reporting deadline to margin or collateral re-use reports (*Action Types* = MARU or REUU).

In other words, CORR reports are used to make corrections which are "back-dated", that is, they are to be made after their reporting deadline.[144]

However, in the case of an incorrect NEWT report, correction requires a CORR report even if the mistake is discovered and can be corrected before the reporting deadline, as the trade repository will only accept one report with *Action Type* = NEWT for the same parties and with the same *UTI*. CORR reports should not be used to correct data in modification, collateral, margin and collateral re-use reports (*Action Type* = MODI/COLU/MARU/REUU) when mistakes are discovered and can be corrected before the reporting deadline. Instead, a corrected version of the report with the original *Action Type* should be sent, which will over-write the previous report if it is received by the trade repository before the reporting deadline.

Note that, where it is necessary to correct several previous reports which have been rejected by the trade repository, corrections should be made in the chronological order in which the rejected reports were made in terms of *Table 2, field 3/Table 3, field 2/Table 4, field 2, Event Date* (Guidelines pp.21-22, para.88). Where such corrections are made on the *Event Date* of a report or on the next working day --- that is, within the reporting window --- and the corrections change the end-of-day details of a transaction, parties must make whatever additional reports are necessary to ensure that the trade repository amends the current record of the transaction.

Correction of *Table 2, field 14, Maturity Date*, or *Table 2, field 15, Termination Date*, cannot be used to revive a transaction after the reporting window for the *Maturity Date* has closed (that is, after the following working day) nor after the termination report has been received by the trade repository, as these transactions will no longer exist as live transactions in the records of the trade repository. If a transaction has been mistakenly terminated, the continued exposure will have to be recreated by reporting a new transaction with *Action Type* = NEWT (and a new UTI in *Table 2,*

[144] Note that the objective of a back-dated CORR report, in terms of whether or not it is intended to change the current Trade State Report for a transaction, will determine *Table 2, field 3, Event Date*. See recommendation 9.23.

field 1, UTI).While it is not possible to retrospectively correct the *Maturity Date* more than one working day later or to correct the *Termination Date* after a termination report has been received by the trade repository, it is possible to correct other data fields after the *Maturity Date* plus one working day or after a termination report. Such a "back-dated" correction requires that field 2.3 (*Event Date*) in the CORR report be reported as the date of the report to be corrected. But note that such a correction will only be included in the Daily Activity Report by the trade repository and not the Trade State Report. It is not possible to correct the Trade State Report after the reporting window for a *Maturity Date* has closed or after a termination report, as this would require the *Event Date* to be reported as the current date (see Recommendation 9.23) but this cannot be done, as the *Event Date* cannot be later than the *Maturity Date* under the Validation Rules. This means that the 30-day window after maturity or termination, within which trade repositories will recycle unreconciled reports to allow correction, cannot in practice be used to perform this function as reconciliation is of Trade State Reports.

A CORR report cannot be used to correct data about collateral allocated against a net exposure (*Table 2, field 73, Net Collateralization of Exposure* = TRUE). This is because a CORR report requires a UTI, which is not applicable to COLU reports of net collateral. Therefore, in this case, a corrected version of the COLU report should be sent to the trade repository

See recommendation 9.2.7 for information about the content of ETRM reports.

9.25.6 Error/cancellation reports --- Action Type EROR

An error report (*Action Type* = EROR) is intended to cancel the report of a repo in the event that it is discovered that the transaction never took place or that it fell outside the scope of SFTR and should not have been reported in the first place. EROR reports can be used to cancel reports about a transaction after the maturity or termination date of the transaction.

In addition, an EROR report has to be used to cancel a NEWT report which contains incorrect data in any of the following data fields:

- *Table 1, field 3, Reporting Counterparty*
- *Table 1, field 11, Other Counterparty*
- *Table 2, field 1, UTI*

This is in order to allow a new and correct report to be submitted, as a second (corrected) NEWT report with the same combination of these three fields will not be accepted by the trade repository.

An EROR report should also be used where an OTC repo is transacted on condition that it will be cleared post trade by a *CCP* but the *CCP* rejects or fails to register the transaction. This will cancel the report of the prior repo that has to be made for repos not transacted on a *Trading Venue* and cleared the same day. See recommendation 8.2.

EROR reports cannot be used to cancel re-use update reports (*Action Type* = REUU). This is because ESMA's Validation Rules (contrary to the RTS on transaction reporting) require each REUU report to have a unique combination of the following fields:

- *Table 4, field 4, Reporting Counterparty*
- *Table 4, field 5, Entity Responsible for the Report*

However, field 4.5 is not included in an EROR report to be applied to a REUU report. Filling it in would cause the trade repository to reject the report. Accordingly, in order to cancel a re-use update report made in error, parties would have to make a CORR report in which *Table 4, field 8, Value of Reused Collateral* = 0 or *Table 4, field 9, Estimated Reuse of Collateral* = 0.

An EROR report has the effect of cancelling previous reports of a transaction in their entirety (that is, the entire history of the transaction). Among other things, this will mean that the *UTI* of the cancelled transaction cannot be re-used between the two parties (see recommendation 3.2). However, if the transaction remains in scope for reporting by the other party, they will need to replace the *UTI*. Best practice in this event is for both parties to cancel the original transaction and create a new one with a new *UTI*, which the in-scope party will report under the appropriate reporting regime but the out-of-scope party will, of course, not report again under SFTR. See recommendations 3.2 and 9.6.

Note that, although the combination of the *UTI* of the cancelled report and the LEIs of the parties is unique to one transaction, the *UTI* could be re-used by one of the parties with a different counterparty (as this would create another unique combination). But ESMA's Validation Rules for *Table 2, field 98, Action Type*, only allow the re-use of a *UTI* from a report that has been cancelled

if that *UTI* is re-used for another transaction between two parties reporting to different trade repositories. In other words, if the report of a repo between parties A and B with UTI 1 is cancelled by an EROR report from one of the parties, party A or B could re-use UTI1 with party C but only if C reports to a different trade repository.

EROR reports should not be used instead of MODI or CORR reports for agreed changes in contractual terms or corrections to inaccurate data. The use of EROR reports for modifications and corrections would be mis-reporting. In addition, the need for NEWT report with the modified or corrected data, and generation and sharing of a new *UTI*, would be cumbersome and increase the risk of reporting mismatches.

Once an EROR report has been submitted, it is not possible to resurrect the relevant repo by modifying or correcting the maturity or termination date, as there would be no repo outstanding (see ESMA's Guidelines of January 2020, p.32, Table 6, row 56). Nor, for the same reason, would it be possible to retrospectively modify the report or correct its history.

See recommendation 9.2.8 for information about the content of EROR reports.

9.25.7 Margin reports --- Action Types NEWT or MARU

The very first margin report should have *Action Type* = NEWT. Subsequent margin update reports should have *Action Type* = MARU. No margin report with *Action Type* = MARU will be accepted by the trade repository unless the first margin report has already been made with *Action Type* = NEWT.[145]

If an incorrect first margin report (*Action Type* = NEWT) is made, one of the following two actions must be taken:

- If the incorrect data field is:
  - *Table 1, field 3, Reporting Counterparty* or
  - *Table 1, field 11, Other Counterparty* or
  - *Table 2, field 1, UTI*

  the NEWT report should be cancelled (*Action Type* = EROR) and replaced with a new NEWT report with a new *UTI*, because a second (corrected) NEWT report with the same combination of these three fields will not be accepted by the trade repository.
- If any other data field is incorrect:
  - If an incorrect MARU report is made and the mistake discovered in time to correct it before the reporting deadline (the end of S+1), a CORR report should not be used to make the correction. Instead, a corrected MARU report should be submitted (see Guidelines, p.18, para.75).
  - If an incorrect MARU report is discovered after the reporting deadline:
    - where only one party needs to make a correction, a "back-dated" CORR report should be used;
    - where both parties need to make the same correction, a "back-dated" corrected MARU report is required.

See recommendation 9.2.3 for information about the content of margin reports.

[145] Note that *Action Type* NEWT is data field 3.20 for margin reports.

9.25.8 Collateral re-use reports --- Action Types NEWT or REUU

The very first re-use report should have *Action Type* = NEWT. Subsequent re-use update reports should have *Action Type* = REUU. No re-use report with *Action Type* = REUU will be accepted by the trade repository unless the first re-use report has already been made with *Action Type* = NEWT.[146]

If an incorrect first re-use report (*Action Type* = NEWT) is made, one of the following two actions must be taken:

- If the incorrect data field is:
  - *Table 1, field 3, Reporting Counterparty* or
  - *Table 1, field 11, Other Counterparty* or
  - *Table 2, field 1, UTI*

  the NEWT report should be cancelled and replaced with a new NEWT report with a new *UTI*, because a second (corrected) NEWT report with the same combination of these three fields will not be accepted by the trade repository.
- If any other data field is incorrect:
  - If an incorrect REUU report is made and the mistake discovered in time to correct it before the reporting deadline (the end of S+1), a CORR report should not be used to make the correction. Instead, a corrected REUU report should be submitted (see Guidelines, p.18, para.75).
  - If an incorrect REUU report is discovered after the reporting deadline:
    - where only one party needs to make a correction, a "back-dated" CORR report should be used;
    - where both parties need to make the same correction, a "back-dated" corrected REUU report is required.

Note that REUU reports cannot be cancelled by using EROR reports. This is because ESMA's Validation Rules (contrary to the RTS on transaction reporting) require each REUU report to have a unique combination of the following fields:

- *Table 4, field 4, Reporting Counterparty*
- *Table 4, field 5, Entity Responsible for the Report*

However, field 4.5 is not included in an EROR report to be applied to a REUU report. Filling it in would cause the trade repository to reject the report. Accordingly, in order to cancel an incorrect REUU report, parties would have to make a CORR report in which *Table 4, field 8, Value of Reused Collateral* = 0 or *Table 4, field 9, Estimated Reuse of Collateral* = 0.

See recommendation 9.2.2 and section 10 for information about the content of re-use reports.

[146] Note that *Action Type* NEWT is data field 3.20 for margin reports.

SUMMARY OF RULES ON ACTION TYPES

1 Only one NEWT report can be made for a particular combination of counterparty LEIs (fields 1.3 and 1.11) and UTI (field 2.1). These fields cannot be modified. If any of them are incorrect, the NEWT report has to be cancelled with an EROR report and replaced.

2 Before the end of the reporting window for COLU, MARU and REUU reports (which is the settlement date plus one business day), any corrections to such reports should be made, not with a CORR report, but with corrected COLU, MARU and REUU reports. CORR reports should only be used only after this deadline.

3 There is an exception to the previous rule in paragraph 2 in the case of corrections of COLU reports about collateral against a net exposure (where field 2.73 *Net Collateralization of Exposure* = TRUE). A CORR report requires a UTI, which is not applicable to COLU reports of net collateral. In this case, a corrected version of the COLU report should be sent to the trade repository with an unchanged *Action Type* (field 2.98).

4 Any modification, update or correction using MODI, COLU, MARU, REUU and CORR reports (other than to the *Maturity Date* or *Termination Date* --- fields 2.14 and 2.15 --- see paragraph 5) can be made up to and including the *Maturity Date* plus one working day or up to the receipt of a termination report by the trade repository. If a change is required to the Trade State Report, then the *Event Date* (field 2.3) has to be reported as being within the current reporting window, that is, today or tomorrow. Otherwise, only the Trade Activity Report will be changed.

5 After the *Maturity Date* plus one working day or after a termination report has been received by the trade repository, no modification or correction using MODIor CORR reports can be made to the *Maturity Date* or *Termination Date* (fields 2.14 and 2.15). This means that matured and terminated transactions cannot be revived. However, EROR reports can still be made after maturity or termination.

6 After the *Maturity Date* plus one working day or after a termination report has been received by the trade repository, modifications, updates or corrections can be made to data fields excluding:

- *Maturity Date* (field 2.14)
- *Termination Date* (field 2.15)
- *Reporting Counterparty* (field 1.3)
- *Other Counterparty* (field 1.11)
- *UTI* (field 2.1)

but such changes will only update the Trade Activity Report. It is not possible to change the Trade State Report because changes would require the *Event Date* (field 2.3) to be within the current reporting window (today or tomorrow), which would be after the *Maturity Date* or *Termination Date*, which is prohibited by the Validation Rules.

7 As the Trade State Report cannot be modified, updated or corrected after the *Maturity Date* plus one working day or after a termination report has been received by the trade repository, unreconciled reports at the trade repository cannot be corrected retrospectively in order to achieve reconciliation. This means that the 30-day period after the *Maturity Date* or *Termination Date*, during which the trade repository recycles unreconciled reports for the purpose of correction, cannot be used for that purpose.

8 As the Trade State Report cannot be modified, updated or corrected after the *Maturity Date* plus one working day or after a termination report has been received by the trade repository, unreconciled reports at the trade repository cannot be corrected retrospectively in order to achieve reconciliation. This means that the 30-day period after the *Maturity Date* or *Termination Date*, during which the trade repository recycles unreconciled reports for the purpose of correction, cannot be used for that purpose.

9 EROR reports cannot be used to cancel REUU reports because ESMA's Validation Rules (contrary to the RTS on transaction reporting) require each REUU report to have a unique combination of fields 4.3 (*Report Submitting Entity*), 4.4 (*Reporting Counterparty*) and 4.5 (*Entity Responsible for the Report*). However, field 4.5 is not a data field included in an EROR report to cancel a REUU report. Filling in field 4.5 would cause the trade repository to reject the report. Accordingly, in order to cancel a REUU report made in error, parties would have to make a CORR report in which field 4.8 = 0 or field 4.9 = 0.

10. Reporting re-use of collateral

10.1 How should re-use of collateral be reported (fields 4.8 & 4.9)?

The requirement to report the re-use of collateral has evolved through several stages and reflects EU interaction with the FSB. The result is that can parties reporting under SFTR can choose to report actual re-use in *Table 4, field 8, Value of Re-used Collateral* or estimated re-use in *Table 4, field 9, Estimated Value of Re-use of Collateral* but the definitions of what data are to be included in the calculation of actual re-use differ from those to be included in the calculation of estimated re-use.

10.1.1 Reporting actual re-use (field 4.8)

If a party is able to identify that a security received as collateral in one transaction has been given as collateral in another transaction, then it should report the subsequent transaction as a re-use of collateral in *Table 4, field 8, Value of Re-used Collateral*.

For the purposes of field 4.8, collateral for which re-use should be reported is not limited to collateral received in SFTs and the reportable re-use of such collateral is not limited to its use as collateral in another SFT. Collateral for the purpose of field 4.8 means all securities received as collateral under any collateral arrangement (including derivatives collateralization agreements) and all securities given as collateral under any collateral arrangement or sold outright other than when the sale is a liquidation of collateral following a default by the collateral-giver. Thus, Article 3(12) of SFTR states, "'Reuse' means the use by a receiving counterparty…of financial instruments received under a collateral arrangement, such use comprising transfer of title or exercise of a right of use in accordance with Article 5 of Directive 2002/47/EC [Financial Collateral Directive] but not including the liquidation of a financial instrument in the event of default of the providing counterparty". This definition was confirmed by ESMA in its Final Report of March 2017 (p.103, para.307).

ESMA's guidance on the reporting of re-use has focused on estimated re-use (see the next section), which has suggested to some parties that only estimated re-use should be reported. However, in its Guidelines of January 2020, ESMA made clear that parties can use either method (p.182, para.402).

Moreover, para.398 of ESMA's Guidelines of January 2020 state that, "the reporting obligation only applies to SFTs" and excludes "collateral posted for margining purposes in derivatives transactions are out of scope or other transactions that are outside the scope of SFTR". This has been interpreted by some parties as applying to the calculation of both actual and estimated re-use. However, this paragraph needs be read in the context of the preceding paragraph, which talks only of the calculation of estimated re-use employing the formula in the FSB framework. In the Annex to the RTS on transaction reporting, this framework is applied only to estimated re-use and

not to actual re-use. Subject to clarification by ESMA, it appears that the wider definition of re-use in SFTR continues to apply to actual re-use.

Re-use is to be reported in aggregate for each ISIN across the whole of the reporting party (that is, for the same LEI). If the reporting entity is a branch in the EU of a non-EU entity (which means that they share the same LEI), or of a branch in the UK of a non-UK entity, the branch only is subject to SFTR and should report the re-use of collateral posted by the branch (SFTR Article 2(d)(ii) in repos which are "effected in the course of operations of a branch". However, re-use should not be reported by a branch if the collateral is taken in transactions booked with the head office entity or under collateral arrangements securing transactions booked with the head office.[147] In practice, this may mean that the EU branches of non-EU parties or of a branch in the UK of a non-UK entity do not have to report re-use at all. See recommendation 1.3.

If it has been decided that a branch in the EU of a non-EU entity or of a branch in the UK of a non-UK entity will report SFTs and re-use, as recommended above, the branch will have to collect data on those SFTs in which it has been involved. If re-use is also being reported in the jurisdiction of the head office, the re-use reported by the branch should be carved out of the re-use reported by the head office in order to meet the FSB's objective of avoiding double-counting between different jurisdictions by attributing SFTs to the "local" jurisdiction.

If there is more than one branch in the EU of a non-EU entity or of a branch in the UK of a non-UK entity and these branches do not all have their own LEIs, their individual re-use reports will share the same *Table 2, field 3, Reporting Counterparty*, and *Table 2, field 10, Entity Responsible for the Report* (which are the unique fields for re-use reports) and would therefore over-write each other at the trade repository. In this case, the branches would have to submit an aggregated re-use report.

If a branch in the EU of a non-EU entity or of a branch in the UK of a non-UK entity is involved in arranging repos which are included in a portfolio which is collateralized on a net exposure basis along with repos arranged and executed by its non-EU or its non-UK head office, it is not possible to measure the collateral allocated solely to the repos in which the branch was involved. It would be incorrect for the branch to report the net collateral for the whole portfolio. Moreover, where repos are part of a portfolio collateralized on a net exposure basis along with repos arranged and executed by its head office, it can be argued that the portfolio as a whole is being managed by the head office. In this case, therefore, it is recommended that the branch should not report any re-use in respect of the repos in which it was involved.

10.1.2 Reporting estimated re-use (field 4.9)

A party acting as a principal will often hold securities that it has received as collateral through repo or other title-transfer SFTs in the same securities account in which it holds the same issues purchased outright (only pledged securities have to be held in separate accounts). Securities from the same issue held in book-entry form in the same account will be fungible with each other and

[147] It is difficult to envisage how a true branch of an entity can re-use collateral in its own right. True branches do not have their own assets and liabilities, so all rights and obligations in respect of collateral apply to the parent.

cannot be distinguished on the basis of the type of transaction through which they were sourced. As securities received as collateral are therefore not "distinguishable" from securities received in outright purchases, it is not possible to measure the actual rate of re-use of collateral. In view of this, the RTS on transaction reporting allows the reporting of estimated re-use using the following formula, which was developed by the FSB. This formula is applied for each ISIN at the level of the reporting entity.

$$collateral^{reused} = \left(\frac{collateral^{reusable}}{collateral^{reusable} + assets^{own}} \right) collateral^{posted}$$

The definition of re-use in the estimated re-use formula diverges from the definition of re-use in Article 3(12) of SFTR, which defines actual re-use for the purpose of filling in field 4.8.
The estimated re-use formula is to be applied by a collateral-taker where it has received a particular issue of securities both as SFT collateral and/or (in a divergence from the method of measuring actual re-use) in outright purchases and has then used any of its combined holding of that issue as collateral in subsequent SFTs. In addition, ESMA is following the FSB by including securities borrowed in the amount of re-usable collateral received and including securities loaned in the amount of collateral posted in the estimated re-use formula. [148]

See sample report 7 for a worked example of estimating re-use using the FSB formula.

Scope --- parties

The collateral-taker must report any re-use where a collateral security is posted by:

- one legal entity to another of the same corporate group (**intra-group/between LEIs**);
- a head office entity to a branch or vice versa, where the branch is located in the EU or UK and the head office outside (**cross-border intra-company/inside an LEI**) --- this is an FSB requirement.[149] [150]

Parties should not include in their re-use calculations:

- collateral securities received from and posted to members of the ESCB and similar EU bodies (or the Bank of England and similar UK bodies in the case of entities reporting under UK SFTR);
- securities borrowed from and loaned to these institutions

but parties should include:

- collateral securities received from and posted to EU debt management offices (or the UK DMO in the case of entities reporting under UK SFTR) and the BIS;
- securities borrowed from and loaned to these institutions.

[148] Note that, if a party has received a particular issue of securities only through outright purchases, it does not have to report the re-use of such "own assets" as collateral in subsequent SFTs as the formula would be a division of zeroes.
[149] See the last sentence of paragraph 321 on page 106 of ESMA's Final Report of March 2017.
[150] See footnote 14 on page 4 of the FSB's report on Transforming Shadow Banking into Resilient Market-based Finance of 25 January 2017.

Scope --- collateral

Re-use reporting obligations apply only to repo collateral in the form of securities.

Collateral received for which re-use should be reported includes any asset defined as a "financial instrument" by MiFID II and identified by an ISIN which has been received as: [151]

- collateral through reverse repos (reverse repurchase transactions or buy/sell-backs) received by title transfer or by pledge with a right of re-hypothecation (*Table 2, field 95, Availability for Collateral Re-use* = SIUR) --- see recommendation 1.13;
- non-cash collateral received by title transfer against securities lending;
- non-cash variation margins received on SFTs;
- collateral received under pledges with a right of re-hypothecation against securities lending or under margin lending programmes to the extent the pledged collateral is subject to a right of re-hypothecation (*Table 2, field 95, Availability for Collateral Re-use* = SIUR);
- borrowed securities through a securities loan (even though such borrowings are not collateral ---as explained above, this is an FSB requirement).

Collateral posted is any asset defined as a "financial instrument" by MiFID II and also identified by an ISIN which has been received as collateral for which re-use should be reported when subsequently used as:

- collateral posted through repos (repurchase transactions and sell/buy-backs) received by title transfer or by pledge whether or not the pledged collateral is given with a right of re-hypothecation --- see recommendation 1.13;
- non-cash collateral posted by title transfer against securities borrowing;
- variation margins given on SFTs;
- collateral pledged with a right of re-hypothecation against securities borrowing or under margin lending programmes whether or not the pledged collateral is given with a right of re-hypothecation (*Table 2, field 95, Availability for Collateral Re-use* = SIUR/SICA);
- loaned securities through a securities loan (even though securities loans are not collateral --- as explained already, this is an FSB requirement).

Note that collateral received for which re-use should be reported would not include pledged initial margins on reverse repos, should such an arrangement be established, as these would be isolated and immobilised in bankruptcy-remote trusts but collateral posted does include such margins. See recommendation 6.9.

types of collateral to be included in estimated re-use formula	
types of collateral, if received	**types of collateral, if posted**
title transfer SFTs: • reverse repo • buy/sell-back • additions to collateral in the form of non-cash variation margins on SFTs	title transfer SFTs: • repo • sell/buy-back

[151] The requirement for an ISIN is laid down in ESMA's Validation Rules and in the RTS. See *Table 4, field 7, Collateral Component* in the Validation Rules.

• collateral from title transfer securities lending • borrowed securities	• additions to collateral posted in the form of initial margins & non-cash variation margins on SFTs • collateral for title transfer securities borrowing • loaned securities
pledge SFTs: • "reverse repo" against pledge collateral • pledged collateral with right of re-hypothecation from securities lending • margin lending collateral with right of re-hypothecation	pledge SFTs: • "repo" against pledged collateral • pledged collateral for securities borrowing • margin lending collateral with/without right of re-hypothecation

Own assets are defined by the FSB as securities held on the balance sheet of the collateral-taker.[152] This definition mirrors the fact that collateral is not recognized on the balance sheet of a collateral-taker, whereas securities purchased outright do appear.[153]Where assets purchased outright are being re-used as collateral in SFTs, they remain on the balance sheet of the collateral-giver but, as they are encumbered and are not re-usable again, they should not be included in own assets. Therefore, if own assets are being calculated from balance sheet data, it is necessary to deduct encumbered holdings of securities. If, on the other hand, own assets are being calculated from net holdings, no adjustment is necessary, as any purchased securities that have been re-used as collateral will not be included in net holdings.

All intra-group and cross-border intra-company SFTs must be reported without netting receipts or re-use of collateral and securities lending/borrowing.

In the case of a branch in the EU of a non-EU entity or a branch in the UK of a non-UK entity, if it has been decided that the branch will report SFTs and re-use, in order to use the estimated re-use formula, the branch will have to collect (1) data on those SFTs in which it has been involved and (2) in order to measure own assets, data on any outright purchases and sales in which it has been involved of securities also being used as collateral in its SFTs. If the branch is involved in SFTs only, its own assets would be zero. If re-use is also being reported in the jurisdiction of the head office, the re-use reported by the branch should be carved out of the re-use reported by the head office in order to meet the FSB's objective of avoiding double-counting between different jurisdictions by attributing SFTs to the "local" jurisdiction.

If there is more than one branch in the EU of a non-EU entity or more than one branch in the UK of a non-UK entity and these branches do not all have their own LEIs, their individual re-use reports will share the same *Table 1, field 3, Reporting Counterparty*, and *Table 1, field 10, Entity Responsible for the Report* (which are the unique fields for re-use reports) and would therefore over-write each other at the trade repository. In this case, the branches would have to submit an aggregated re-use report.

[152] See page 4 of the FSB's report on Transforming Shadow Banking into Resilient Market-based Finance of 23 February 2016.
[153] This accounting principle reflects the fact the risk and return on securities repoed out remains with the seller because the seller has committed to buy back equivalent securities at their original value.

For the purposes of **collateral valuation**, all amounts in the estimated re-use formula are to be measured in terms of market value. On para.156 on p.42 of their draft Guidelines of May 2019, ESMA say that "The market value of the securities should be reported as at close of business of each working day, reflecting the valuation used for collateral management purposes, eg to calculate daily variation margin". In the following para.157, ESMA say "To make reporting simpler, the counterparties should report the market value of their SFTs using the market prices and FX rates that those counterparties have used during the course of that working day for exposure management purposes. For securities lending transactions, this would generally mean the market values reported as at close of business on any given day would be reported using the closing prices of the securities as of the previous business day".

It is recommended that, for the purpose of valuing collateral for re-use reporting, the parties look first to the market prices that they have used to revalue collateral securities for the purpose of calculating the transaction exposures in individual repos, their overall net exposure to another party and the consequent variation margins. These are typically taken at close of business on the working day before the calculation, both for repo and securities lending, but could be same-day prices, for example, where margin is being called in response to exceptional movements in prices. The prices used to revalue collateral securities for the purpose of calculating exposures and variation margins are likely to be the easiest to reconcile since variation margining requires consensus between the parties on the net exposure.

This recommendation is consistent with the ESMA requirements that, "counterparties should report the market value of SFTs using the market prices FX rates that those counterparties have used during the course of that working day for exposure management purposes" and "when reporting under SFTR, counterparties should use the value they use for collateral management and exposure management purposes" (final Guidelines of January 2020, p.34, paras.132 and 134, respectively).[154] However, it should be noted that the prices used to calculate exposures and variation margins can still diverge between parties because, except for most tri-party repos and structured repos margined individually, variation margin is usually calculated for a portfolio of repos, so price differences could net to zero across a portfolio, in which case, the parties will be unaware that there are any differences. See recommendation 6.7.

Parties should not deduct haircuts from market values. Amounts should be reported:

- per ISIN[155]
- in the currency of the ISIN (as in *Table 2, field 85, Currency of the Nominal Amount*;
- using balances outstanding at close of business each day --- which should be *Table 2, field 3, Event Date* --- assuming contractual or intended settlement date --- see below;

[154] ESMA's Final Report of January 2020 dismisses industry concerns over the reconciliation of collateral price and value fields. It believes the industry has ample time to change systems and procedures to align with the requirement, given that matching of these fields in January 2023 (p.50, para.276) and sees the "necessary cost" of SFTR (p.50, para.272).

[155] The RTS on transaction reporting is ambiguous as to whether the report to be made is for each ISIN (see RTS, p106, para.319) or for each of the eight collateral types defined by the FSB (see RTS, p106, para.320). The fields for the reuse report do not include *Collateral Type* but do include *Collateral Component* (Table 4, field 7), which is an ISIN. In the RTS, paragraph 319 states, "The scope of collateral re-use … will be reported per each ISIN." However, the formula and paragraph 320 in the RTS prescribe reporting for each of the eight collateral types defined by the FSB (see RTS, p106, para.320). It is assumed here that reporting will be per ISIN and that, if required, ESMA will aggregate data into *Collateral Types*.

- to be reported no later than the working day after the settlement date on which collateral securities have been posted/reused or received (S+1).

In the case of re-use update reports, it would seem that the *Event Date* is supposed to be the actual settlement date. This has been confirmed by ESMA in its final Guidelines of January 2020 (see Table 5 on p.26, para.116) in contrast to the updated guidance on collateral update and margin update reports. But as for collateral update reports and for the same reason, it is recommended that, if it is impracticable to measure the outstanding balances of collateral re-use on the basis of actual settlement, the *Event Date* should be the contractual or intended settlement date, as for collateral update and margin reports. This means perfect settlement should be assumed and no retrospective correction made for settlement failures. See recommendation 9.2.

When making its first re-use report to a trade repository, a reporting party should report:
- *Table 4, field 18, Action Type* = NEWT

All subsequent re-use reports, even if they include new securities, should report:
- *Table 4, field 18, Action Type* = REUU (re-use update)

A fresh re-use update report has to be made whenever there is any change in the identity or market value of re-used securities.

Note that, according to ESMA's Validation Rules, each re-use update report should be identifiable by a unique pairing of the following fields:
- *Table 4, field 4, Reporting Counterparty*
- *Table 4, field 5, Entity Responsible for the Report*

This is different from the requirements in both the RTS on transaction reporting and the ISO schema (auth.071,001.01). Moreover, the use of field 1.10 is not possible in an EROR report --- see recommendation 9.6.

Collateral re-use update reports should repeat unchanged data fields. In other words, re-use update reports are full reports and not "delta" reports. ESMA's final Guidelines of January 2020 expressly include re-use updates in the requirement for full reporting of all fields (p.18, para.75). There also appears to be a consensus among reporting parties that it will be operationally easier to take the same "full reporting" approach to modification reports. See recommendation 9.5.

The only details of a security being re-used that are included in an estimated re-use report are:
- *Table 4, field 7, Collateral Component* = ISIN
- *Table 4, field 9, Estimated Reuse of Collateral* = result of formula

If more than one security is being re-used on the same day, these two fields are repeated for each security.

When an individual security ceases to be re-used, there is no need to include its ISIN and a zero value in the subsequent re-use report, as the new report will automatically overwrite all the data fields of the previous report held by the trade repository. However, if re-use ceases entirely, this

approach cannot be followed, as trade repositories will then assume that the previous report still describes the state of re-use. In such a case, it is recommended that parties submit a "token zero report" to indicate to the trade repository that re-use has ceased completely. It is recommended that this token zero report should be limited to five collateral fields:

- *Table 4, field 6, Type of Collateral Component* = CASH
- *Table 4, field 11, Reinvestment Rate* = [0]
- *Table 4, field 12, Type of Reinvested Cash Investment* = OTHR
- *Table 4, field 13, Re-invested Cash Amount* = [0]
- *Table 4, field 14, Reused Cash Currency* = [EUR]

This recommendation has been endorsed by ESMA in its final Guidelines of January 2020 (p.200, section 4.6.3, para.427).
Parties reporting re-use do not have to report the further re-use of collateral that they have given to other parties who then re-use that collateral. In other words, there is no requirement to report downstream chains of collateral re-use. Re-use by other parties is beyond the scope of the reporting party. Each party is responsible only for reporting its own re-use.

Note that, in the case of a small EU non-financial entity, whose reporting under SFTR is mandatorily delegated to its EU financial counterparties, each financial counterparty only has to report the re-use by the non-financial entity of ISINs used in repos between them. However, if the non-financial entity has used securities with the same ISIN in repos with several EU financial counterparties, all of those financial counterparties are obliged to report the re-use of that ISIN. However, the small EU non-financial entity is responsible for calculating the re-use and providing the estimate to the EU financial entity for reporting to the trade repository (Guidelines of January 2020, p.184, para.401). This issue will not apply under UK SFTR, as non-financial entities will not be required to report under UK SFTR.

Recommendation 1: In valuing securities for the purpose of reporting re-use, including the value of own assets, parties should apply the market prices they have used to revalue collateral securities for the purpose of calculating the transaction exposures in individual repos, their overall net exposure to other parties and the consequent variation margins. Values should not reflect haircuts.

Recommendation 2: If it is impracticable to measure the outstanding balances of collateral re-use on the basis of actual settlement, they should be measured on the basis of the contractual (or intended) settlement of the collateral being reported.

Recommendation 3: When re-use ceases entirely, parties should submit a "token zero report" to indicate to the trade repository that re-use has ceased completely.

Recommendation 4: Parties should report the re-use of collateral related to all repos, even historic repo that have not yet been back-loaded and historic repos that will never be back-loaded.

10.2 If cash collateral is provided in a repo, does its re-use or re-investment have to be reported?

Cash collateral is very occasionally used in repo but only as an expedient because of collateral management problems or unforeseen corporate events. Thus, in tri-party repo, a temporary shortage of eligible securities may force the tri-party agent to allocate cash as collateral but only until eligible securities become available and can be substituted for the cash. In addition, it is possible for collateral securities to be converted into cash by corporate events such as redemptions and take-overs. Cash collateral is also applied under the GMRA 2011 where a party is required to return a variation margin previously received as part of a variation margin being called but is unable to do so immediately (the so-called "Cash Equivalent Amount" under paragraph 4(h) of GMRA 2011).

Annex I of the SFTR RTS on transaction reporting shows that the cash reinvestment fields (*Table 4, fields 11-14*) do not apply to repurchase transactions or buy/sell-backs. In addition, ESMA's draft Final Report of March 2017 states that "with regards to transactions in which cash is used as collateral for securities lending, and in line with the FSB reporting elements, counterparties shall report data about the cash collateral re-investment" (p.105, para.315), which makes clear that ESMA envisages only the reporting of the reinvestment of cash collateral from securities lending and not from repo.

However, in its final Guidelines of January 2020, ESMA stated that, where cash has been received as variation margin on SFTs, its reinvestment should be reported. But as this statement contradicts the RTS, the recommendation not to report the re-investment of cash received in repos or in respect of repos stands.

Recommendation: On the rare occasion when cash is introduced as collateral in a repo or when it is provided as variation margin, neither its re-use nor its re-investment should be reported.

10.3 Does re-use have to be reported of collateral received from members of the ESCB and of collateral given to members of the ESCB?

Under SFTR Article 2(3), the transaction reporting obligations laid down in Article 4 do not apply to SFTs transacted with a member of the ESCB or analogous EU entity (the ECB and EU central banks). SFTR does not expressly state whether re-use calculations should include:

- receipt of SFT collateral and non-cash variation margins on SFT from members of the ESCB;
- borrowing of securities from members of the ESCB;
- posting of SFT collateral and SFT non-cash variation margins to members of the ESCB;
- loans of securities to members of the ESCB.

However, ESMA has confirmed in its draft Guidelines of May 2019 and again in its final Guidelines of January 2020 (p.188, para.407) that all collateral received from or posted to members of the ESCB or analogous EU entities and all securities borrowed from or loaned to such entities should be excluded from re-use calculations.

Note that Article 2(4) of SFTR delegates power to the European Commission to exempt specified non-EU central banks and similar bodies and non-EU debt management offices from the transaction reporting requirements of Article 4 and the re-use requirements of Article 15. It does not provide for the exemption from re-use calculations of collateral and securities loans received from and posted to these central banks and debt management offices (nor does it exempt other parties within the scope of SFTR from reporting SFTs transacted with these central banks and debt management offices).

Recommendation: The reporting of re-use should not include eligible collateral and securities loans received from and posted to members of the ESCB but should include other central banks and also all debt management offices, whether the latter are in or out of the EU.

11. Commodity repo

11.1 What types of commodity repo should be reported under SFTR?

11.1.1 Exemption from SFTR reporting obligations

Commodity repos for operational and industrial purposes, which have commercial and non-financing objectives, are excluded from SFTR reporting obligations (final Guidelines and Final Report of January 2020: p.17, para.49; p.11, para.12).

Operational purposes include:

- Gas storage in line with "market practice" or to "industry standards" and including a sale and repurchase obligation.
- Transactions whereby the "quantity or characteristics" of the commodity to be repurchased are materially different to the commodity sold.

Industrial purposes include "transportation and capacity needs". See Final Report p.20, para.64(b).

11.1.2 What is a commodity repo under SFTR?

To qualify as a SFT for the purposes of SFTR, ESMA require a "linkage" between the opening and closing legs of a transaction (Final Report, p.23, para.84). Typical examples of a linkage are:

- A sale of a commodity by one party to another with an obligation, commitment or agreement --- but not an option --- to repurchase the equivalent commodity.[156]
- Otherwise, where the execution of timing and the price of the two legs are contingent upon each other.

The effect of linkage is that the seller neither loses his "economic ownership" (that is, exposure to risk) of the commodity nor takes new market risk (p.24, para.88(a)).

If a transaction qualifies as a SFT in terms of the previous criteria, the next question is to identify which type of SFT (*Table 2, field 4, Type of SFT*) which for commodity SFTs can be repurchase transactions (REPO), buy/sell-backs (SBSC) or securities lending or borrowing (SLEB). ESMA requires that this judgement be made on the basis of:

- the written agreement governing the SFT, usually whether or not there is a written agreement (p.23, para.85) --- only buy/sell-backs can be without a written legal agreement (p.24, para.88(b)); and
- the type of SFT which has the data fields that provide the best fit for the transaction being reported (Guidelines, p.12, para.41, and Final Report, p.19, para.63(b)).

[156] ESMA define "equivalent" as the same type of commodity with similar characteristics and/or "specifications" that replace the original commodity (p.13, para.44(a)).

ESMA characterizes the different types of SFT as follows:

- buy/sell-backs (1) can be either undocumented or documented and (2) collateral is always transferred by title transfer, never by pledge (Final Report, p.24, para.88(b);
- repurchase transactions (1) are always documented and (2) collateral can be transferred by title transfer or pledge --- this is legally and factually incorrect but is insisted upon by ESMA;
- securities lending or borrowing can involve the transfer of collateral by title transfer or pledge.

ESMA note that a commodity SFT can be part of a larger structure that include derivatives. An example of this would be a cleared commodity repo (see recommendation 11.2). Only the SFT component is reported under SFTR. The other components may be reportable under EMIR, MiFIR or REMIT depending on the type of instrument(s) and the commodity (Guidelines, p.13, para.43, and Final Report, p.24, para.88(c)). The SFT component is reported under SFTR even where the repurchase leg of the SFT has been replaced by a futures contract under the so-called exchange-for-physical (EFP) procedure.

11.2 How should a cleared commodity repo be reported?

A cleared commodity repo is a commonly-used structure in the commodity markets and effectively consists of three steps:

- a repo consisting of an immediate sale of a commodity by one party ("the seller") to another ("the buyer") and a simultaneous commitment by the seller to buy back the same quantity of the commodity on an agreed futures expiry date with the sale and repurchase prices being based on today's futures price;
- an immediate exchange-for-physical (EFP) at a commodity futures exchange, which is a procedure in which the seller cancels ("gives up") his forward repurchase and replaces it with a long position in a futures contract on the same commodity in exchange for the buyer cancelling his forward sale and replacing it with a short position in the same futures contract, with both futures traded at a price agreed bilaterally off-venue;
- a close-out transaction to be exercised by either party --- on (1) a fixed future date before the futures expiry date or (2) on any day before the futures expiry date --- which would simultaneously close out the EFP and return the same quantity of commodity to the seller at the same price, agreed off-venue, at which the EFP is closed out.

In terms of documentation, the first and close-out steps will be contingent on the EFP. But the documentation is bespoke and can be structured in different ways.

Only the repo transacted as the first step can and should be reported under SFTR. In its Final Report of January 2020, ESMA notes that a commodity SFT can be part of a larger structure that includes derivatives. They make it clear that only the SFT component is reported under SFTR (Guidelines, p.13, para.43, and Final Report, p.24, para.88(c)). And, in an implicit but clear reference to cleared commodity repo, they require the SFT component to be reported even where the repurchase leg of the SFT has been replaced by a futures contract under an EFP procedure. In other words, a synthetic repo cannot be reported under SFTR because one of its integral legs is a derivative, which is out of scope of SFTR.

The first step of the cleared commodity repo clearly qualifies as an SFT under ESMA's guidance. Thus, there is a "linkage" between the opening and closing legs (Final Report, p.23, para.84) which achieves the required objective that the seller neither loses his "economic ownership" (that is, exposure to risk) of the commodity nor takes new market risk (p.24, para.88(a)). A cleared commodity repo is also entirely consistent with the two examples of a typical linkage given by ESMA in its Final Report:

- A sale of a commodity by one party to another with an obligation, commitment or agreement --- but not an option --- to repurchase the equivalent commodity.
- Otherwise, where the execution of timing and the price of the two legs are contingent upon each other.

The next question is to identify the type of SFT (*Table 2, field 4, Type of SFT*) which is represented by the first step, a repurchase transaction, a buy/sell-back or securities lending or borrowing. ESMA requires that this judgement be made on the basis of:

- the written agreement governing the SFT, usually whether or not there is a written agreement (p.23, para.85) --- only buy/sell-backs can be without a written legal agreement (p.24, para.88(b)); and
- which type of SFT's data fields provide the best fit for the SFT being reported (Guidelines, p.12, para.41).

ESMA characterizes the different types of SFT as follows:

- buy/sell-backs (1) can be either undocumented or documented and (2) collateral is always transferred by title transfer, never by pledge (Final Report, p.24, para.88(b);
- repurchase transactions (1) are always documented and (2) collateral can be transferred by title transfer or pledge --- this is legally and factually incorrect but is insisted upon by ESMA;
- securities lending or borrowing can involve the transfer of collateral by title transfer or pledge.

It is recommended that the first step of a cleared commodity repo should be reported as a buy/sell-back (*Table 2, field 4, Type of SFT* = SBSC) rather than a repurchase transaction or securities lending transaction.

There is no substantive reason for recommending characterization as a buy/sell-back rather than a repurchase transaction. The recommendation is made largely in order to harmonize reporting by parties, given that field 2.4 is a matching field. [157]

A repo is to be favoured over securities lending, because repo is always a term transaction, is usually cash-driven and never pays an explicit fee, whereas securities lending is usually open, tends to be more securities than cash-driven, and many loans pay an explicit fee. However, the boundaries between repo and securities lending are not exact.

If the first leg of a cleared commodity repo is reported as a buy/sell-back, there is no need to report the repo rate, which is not necessarily an explicit feature of commodity repo. Instead, *Table 2, field 49, Security or Commodity Price*, will be reported (see recommendation 7.2).

Given the life-cycle of a cleared commodity repo, the reporting of the first leg will require the following reports in sequence:

- report of a same-day termination (*Table 2, field 98, Action Type* = ETRM)
- report of a new transaction (*Table 2, field 98, Action Type* = NEWT)

[157] The real distinction between a repurchase transaction and a buy/sell-back is whether or not a manufactured payment is made by the buyer to the seller in response to the payment of a coupon, dividend or other income by the issuer of collateral to the buyer. As no income is ever paid on commodities, there is in fact no difference between a repurchase transaction and a buy/sell-back against commodities other than the fact that a buy/sell-back may or may not be documented.

Annex I: Summary and interpretation of Action Types

Action Type (field 2.98)	**Action**	**Scope**
NEW (NEWT)	Initial reports of (1) a transaction as of its transaction date; (2) CCP margin; and (3) collateral re-use.	
CORRECTION (CORR)	Changing one or more incorrect data fields in a report already submitted.	
ERROR (EROR)	• Cancellation of an entire report because (1) the transaction that has been reported is ineligible for reporting or (2) the transaction did not happen. • See recommendations 3.2 & 9.6.	
POSITION COMPONENT (POSC)	• For post-trade but same-day registration of an OTC transaction with a *CCP* which is to be subsumed into a position along with other transactions. • The original transaction must be reported, with *2.98 Action Type* = POSC and *2.99 Level* = TCTN. • Then, the original transaction must be terminated using another report with *2.98 Action Type* = ETRM. • f this is the first transaction to be included in a position, a new report is then made with *2.98 Action Type* = NEWT, *2.99 Level* = PSTN and a new value for *2.1 UTI* which applies to the new position. • If a transaction is to be included in an existing position, then a modification of the position is reported with *2.98 Action Type* = MODI, *2.99 Level* = PSTN and the existing value of *2.1 UTI* for the position. • Future corrections, modifications, collateral updates and margin updates would then be reported for the single position with the *2.98 Action Type* = POSC. • See recommendation 8.1.	Optional for *CCP*-cleared repurchase transactions only. Not applicable to buy/sell-back. But not practicable because cleared repos are not netted before novation as required by ESMA rules.

MODIFICATION (MODI)	• Changes in the data of a reported transaction or position --- other than a correction, margin update, collateral update or same-day termination --- that relate to loan data but not collateral data (for which a collateral update report is made). • See recommendations 9.2, 9.4 & 9.5.	
COLLATERAL UPDATE (COLU)	• Change in the composition and/or value of collateral. • See recommendations 6.1, 9.3 & 9.5.	
MARGIN UPDATE (MARU)	• IM, VM or excess collateral held by a *CCP,* a *Clearing Member* or a clearing client that are being reported other than for the first time (for which a NEWT report is required). • See recommendations 8.2 & 9.5.	*CCP*-cleared repo only. Not for the first margin report by an entity.
COLLATERAL RE-USE UPDATE (REUU)	• Posting as collateral in an SFT or lending in a securities loan of any collateral received through an SFT or borrowed through a securities borrowing other than for the first report of re-use (for which a NEWT report is required). • To be reported per ISIN for all re-use of eligible collateral by the whole of an EU-based LEI including non-EU branches but branches in the EU of non-EU entities only report re-use of eligible collateral by the branch (not also re-use by the head office with whom the branch will share an LEI). The same rule but applicable to branches in the UK of non-UK entities applies under UK SFTR. • Re-use between head office and branch, where one is inside and one is outside of EU, is to be included. • Where eligible collateral received through an SFT or securities borrowed through a securities loan cannot be distinguished from the same securities purchase outright and held in the same securities account, re-use is to be estimated using a formula provided by FSB. • See recommendations 9.5, 10.1, 10.2, & 10.3.	Not for the first re-use report by an entity.
VALUATION UPDATE (VALU)	Changes in the Market Value of a loaned security.	Not applicable to any type of repo.
TERMINATION (ETRM)	• Early termination of a fixed-term repo or termination of an open repo where settlement is on the same day. • See recommendations 9.1, 9.2, 9.5 & 9.21.	Not applicable to buy/sell-backs under SFTR but allowed in the Validation Rules.

Annex II: Reporting terminations under the GMRA 2011

A summary of the contractual provisions of the GMRA 2011 which, if exercised, should be reported as a modification of the Repurchase Date (MODI) or a termination (ETRM) and, in some cases, a new repo (NEWT) with a new UTI.

paragraph	event	report
3(d)-(e)	**Open repos** can be terminated on demand on an agreed date. Para.3(e) provides that termination can be triggered by buyer or seller and should take place "after not less than the minimum period as is customarily required for" settlement or payment.	MODI of Repurchase Date to another future date or ETRM of specific open repo for same-day termination.
4(i)-(k)	**Repricing**. Instead of variation margin, a specific repo can be replaced by a new repo with the cash amount realigned to eliminate any Transaction Exposure.	MODI of Repurchase Date to another future date or ETRM of specific repo for same-day termination plus NEWT with new UTI.
4(i), (j), (l)	**Adjustment**. Instead of variation margin, a specific repo can be replaced by a new repo with the collateral amount realigned to eliminate any Transaction Exposure.	MODI of Repurchase Date to another future date or ETRM of specific repo for same-day termination plus NEWT with new UTI.
8	**Substitution**. If implemented, as envisaged by the GMRA, as a variation in the terms of a specific repo in respect of the collateral composition.	COLU only.
	Substitution. If implemented, not as envisaged by the GMRA, but as an agreed early termination and settlement of a specific repo and its replacement with a new repo with different collateral composition.	MODI of Repurchase Date to another future date or ETRM of specific repo for same-day termination plus NEWT with new UTI and different collateral composition.
	Other life-cycle events for which variations are not expressly provided for in the GMRA (eg re-rates, changes to Purchase Price or Repurchase Date).	(1) Only if parties expressly agree to terminate and settle an existing repo --- MODI of Repurchase Date to another future date or ETRM of specific repo for same-day termination plus NEWT with new UTI

		and change in one or more contractual terms other than in respect of collateral composition. (2) Otherwise, only MODI of one or more contractual terms.
10(b)	**Automatic Early Termination**. If parties are signatories of the GMRA 2011 and have agreed that the filing of a winding-up petition or similar document or the appointment of a liquidator or similar official should trigger the Automatic Early Termination provisions of para.10(b), all repos under the GMRA will be automatically terminated in response to the occurrence of either of those Acts of Insolvency. The Early Termination Date will be deemed to be "at the time immediately preceding" the occurrence of either of those Acts.	ETRM of all repos with an Event Date on the day before the occurrence of one of the relevant Acts of Insolvency.
10(a), (b), (c)	**Early Termination post default**. All repos under the same GMRA can be terminated early upon the occurrence of one of the listed Events of Default, which includes Act(s) of Insolvency (defined at 2(a)).	MODI of Repurchase Date to another future date or ETRM of all repos for same-day termination.
10(h)(iii)	Termination of a specific repo after **failure to deliver** Purchased Securities.	MODI of Repurchase Date to another future date or ETRM of specific repo for same-day termination.
10(i)(iii)	Termination of a specific repo after **failure to deliver** Equivalent Securities.	MODI of Repurchase Date to another future date or ETRM of specific repo for same-day termination.
11(c)	**Termination upon Tax Event** (in fact, this can be an adverse tax or regulatory event) unless other party overrides termination notice with a counter-notice and indemnifies the first party.	MODI of Repurchase Date to another future date or ETRM of specific repo for same-day termination.

Annex III: List of recommended codes for interest rate indexes

The following list consists of four-letter ISO codes for some of the short-term interest rate indexes that are or may be used as reference rates in the European repo market and recommended four-letter codes for such indexes where there is currently no ISO code. The list also includes the most relevant of the indexes in the list in Annex I of the RTS on transaction reporting under SFTR. When used to determine a floating repo rate, these codes would be reported in *Table 2, field 25, Floating Rate*.

Australian Overnight Index Average (AONIA)	AONA	
Broad General Collateral Rate	BGCR	
CORRA Canadian Overnight Repo Rate Average	CORR	
Effective Fed Funds Rate	EFFR	
Euro Short Term Rate	ESTR	*
Hong Kong Interbank Offered Rate	HIBOR	
Norwegian Overnight Weighted Index	NOWA	
New Zealand Official Cash Rate	NZOC	
Overnight Broad Funding Rate	OBFR	
RepoFunds Rate Euro	RFRE	
RepoFunds Rate Germany	RFRD	
RepoFunds Rate France	RFRF	
RepoFunds Rate Italy	RFRI	
RepoFunds Rate Spain	RFRS	
RepoFunds Rate Netherlands	RFRN	
RepoFunds Rate Belgium	RFRB	
Sterling RepoFunds Rate	RFRU	
RONIA	RONA	
SABOR	SABO	
SARON	SARO	
SOFR	SOFR	*
SONIA	SONA	*
Singapore Overnight Rate Average	SORA	
STOXX GC Pooling EUR ON	GCPO	
STOXX GC Pooling EUR Extended ON	GPEO	
STOXX GC Pooling EUR TN	GCPT	
STOXX GC Pooling EUR Extended TN	GPET	
STOXX GC Pooling EUR SN	GCSN	
STOXX GC Pooling EUR Extended SN	GPSN	
STOXX GC Pooling EUR Funding Rate	GCFR	
STOXX GC Pooling EUR Deferred Funding Rate	GCDR	
STOXX GC Pooling EUR 1 Week	GC1W	
STOXX GC Pooling EUR 2 Weeks	GC2W	
STOXX GC Pooling EUR 1 Month	GC2M	
STOXX GC Pooling EUR 3 Months	GC3M	
STOXX GC Pooling EUR 6 Months	GC6M	
STOXX GC Pooling EUR 9 Months	GC9M	
STOXX GC Pooling EUR 12 Months	GC12	

Tri-Party General Collateral Rate	TPGR
TOIS	TOIS
TONAR	TONA

** ISO code*

Annex IV: SFTR repo reporting glossary

ACK	An informal industry term for the acceptance of a report by a *trade repository*.
Action Type	Field 2.98 in the *SFTR* reporting template. This field indicates the type of event that is being reported: • new transaction (NEWT) • change in a position at a *CCP* (*POSC*) • modification of contractual terms (*MODI*) • termination of an open repo (*ETRM*) • collateral update (*COLU*) • correction to a mistaken report (*CORR*), • cancellation of a report sent in error (*EROR*) • change in the outstanding alue of the margin given to or received from a *CCP* or clearing client (*MARU*) • change in the outstanding value of the re-use of collateral securities or the *ISINs* being re-used (*REUU*).
Additional Sector Classification	Field 1.6 in the *SFTR* reporting template. If the *Reporting Counterparty* (field 2.3) is: (1) classified in field 1.4 *Nature of the Reporting Counterparty* as a *financial counterparty* (F) and, in field 1.5 *Sector of the Reporting Counterparty*, it is either a UCITS (UCIT) or an Alternative Investment Fund (AIFD), then field 1.6 identifies whether the entity is also an ETF (ETFT), money market fund (MMFT), REIT (REIT) or some other type of *financial counterparty* (OTHR). (2) classified in field 1.4 *Nature of the Reporting Counterparty* as a *non-financial counterparty* (F) and in field 1.5 *Sector of the Reporting Counterparty*, it is involved in either financial & insurance activities (K) or real estate activities (L), then field 1.6 identifies whether the entity is an ETF (ETFT), money market fund (MMFT), REIT (REIT) or some other type of entity (OTHR).
Adjusted Rate	Field 2.35 in the *SFTR* reporting template. For floating rate repos, this is equal to the current fixing of the *Floating Rate* (field 2.30) plus any *Spread* (field 2.34).
Agent Lender	Field 1.18 in the *SFTR* reporting template. This field is populated with the *LEI* of an entity lending securities as an agent through a repo on behalf of a client --- who would be the *Reporting Counterparty* (field 1.3) --- to a third party --- who would be the *Other Counterparty* (field 1.11). See *ICMA* recommendation 4.4.

ANNA	Acronym for *Association of National Numbering Agencies*. A global association comprising central banks, *CSDs*, data vendors, regulators and stock exchanges with national responsibility for issuing *ISINs* and *CFI* codes for securities in their jurisdictions.
Availability of Collateral for Re-Use	Field 2.95 in the *SFTR* reporting template. This field indicates whether or not (TRUE or FALSE) the buyer can re-use collateral received through an *SFT*. Parties should ignore operational, technical and regulatory constraints on re-use. Therefore, all collateral sold in title-transfer repos is available for re-use. See *ICMA* recommendation 6.15.
back-loading	Term used by *ESMA* to describe the requirement under Article 4(1)(b) of *SFTR* to report transactions executed before an entity's go-live date and still outstanding 180 days later. See *ICMA* recommendations 2.1 and 2.2. Effectively abolished on 26 March 2020.
Beneficiary	This field is populated with the *LEI* of the entity which ultimately has the exposure to the risk on an *SFT* but only if this entity is different from the *Reporting Counterparty* (field 1.3). This is not a common situation in the repo market. Examples might be where the *Reporting Counterparty* is a trust or, in Belgium, a "commissaire ducroire". See *ICMA* recommendation 4.3.
Broker	Field 1.15 in the *SFTR* reporting template. Under *SFTR*, a Broker is "broker-dealer" --- which is a dual capacity firm that can sometimes act as a "broker" (trading as an agent for other parties) and at other times act as a "dealer" (trading for own account) --- that is acting in respect of the relevant repo as an agent on behalf of the *Reporting Counterparty*. This category does not include repo voice-brokers. See *ICMA* recommendation 4.4.
buy/sell-back	Defined (incorrectly) in *SFTR* as "*a transaction by which a counterparty buys or sells securities, commodities, or guaranteed rights relating to title to securities or commodities, agreeing, respectively, to sell or to buy back securities, commodities or such guaranteed rights of the same description at a specified price on a future date, that transaction being a buy-sell back transaction for the counterparty buying the securities, commodities or guaranteed rights, and a sell-buy back transaction for the counterparty selling them, such buy- sell back transaction or sell-buy back transaction not being governed by a repurchase agreement or by a reverse- repurchase agreement within the meaning of point (9)* [definition of a *repurchase transaction*]". See *SFTR* Article 2(8).

CCP	Acronym for *central counterparty* (sometimes for *central clearing counterparty*). Defined by ESMA as "a legal person that interposes itself between the counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer. In certain occasions, a *CCP* may also hold banking or other financial services license. Regardless of that, a *CCP* shall report itself only as *CCP*" (*Final Report* of March 2017, p.37, para.93).
CFI	Acronym for *Classification of Financial Instruments*. This is an ISO standard system of classification (ISO 10692). *CFI* codes are composed of six letters. They are issued by the national numbering agencies that are members of *ANNA*. This code has to be reported in field 2.79 *Classification of Securities Used as Collateral* of the *SFTR* reporting template.
Classification of a Security Used as Collateral	Field 2.79 of the *SFTR* reporting template. This field is populated with the *CFI* code for each and any security provided as collateral, for example, DBFTFB is the *CFI* code for a bund. *ESMA* requires the source to be a national numbering agency. See *ICMA* recommendation 6.12.
Collateral Basket Identifier	Field 2.96 of the *SFTR* reporting template. This field is populated with the *ISIN* code for the pre-agreed basket (list) of eligible securities on the basis of which parties have agreed that collateral should be allocated or, if the basket lacks an *ISIN*, the code NTAV (not available). If the collateral allocation is known in time to report by T+1, then this field can be left blank. See *ICMA* recommendation 6.4.
Collateral Market Value	Field 2.88 of the *SFTR* reporting template. This is populated with the market value of collateral expressed in terms of field 2.86 *Price Currency*. In the case of fixed-income securities, *Collateral Market Value* includes accrued interest and any adjustment for the purpose of calculating the cash proceeds to be paid at settlement --- for example, a "pool factor" adjustment in the case of asset-backed securities (ABS) and mortgage-backed securities (MBS) or an "index factor" in the case of inflation-linked securities --- but excludes any haircut.
Collateral Quality	Field 2.90 of the *SFTR* reporting template. This field indicates whether collateral securities are investment grade (INVG), non-investment grade (NIVG), have not got a credit rating (NOTR) or are of a type that is not rated (NOAP). See *ICMA* recommendation 6.13.
Collateral Quantity or Nominal Amount	Field 2.83 of the *SFTR* reporting template. This field is populated with the nominal value of fixed-income securities in terms of the *Currency of the Nominal Amount* (field 2.85) or the number of other types of security.

Collateral Type	Field 2.94 of the *SFTR* reporting template. This field is populated with a four-letter code classifying collateral securities into one of eight categories in a taxonomy produced by the *FSB*. See *ICMA* recommendation 6.14.
collateral update (COLU) report	One of eight codes for field 2.98 *Action Type*. *COLU* indicates that the report in which it is included is an end-of-day update of the value or composition of the collateral held against a repo or portfolio of repos. *COLU* reports are made only if there been a change in the value or composition of collateral since the previous report (but must report all fields, even those that have not changed). *COLU* reports have to be submitted to a trade repository on the day after settlement (S+1). Only one *COLU* report is made on any given day. See *ICMA* recommendation 9.3.
Collateralisation of Net Exposure	Field 2.73 of the *SFTR* reporting template. This field indicates whether or not (TRUE or FALSE) a repo is collateralized as part of a portfolio, in other words, there is one pool of collateral for multiple repos. The alternative to such net collateralization is individual or transaction-level collateralization, in other words, there is a separate pool of collateral for each repo. See *ICMA* recommendation 6.1.
conditional	Cardinality applied to a data field in the *SFTR* reporting template requiring the field to be populated if one or more *Validation Rules* are satisfied. When the conditions in the *Validation Rules* are satisfied, a conditional field becomes mandatory.
correction (CORR) report	One of eight codes for field 2.98 *Action Type*. *CORR* indicates that the report in which it is included is a correction of a previous report in which one or more of the data fields were incorrect.
CPMI	Acronym for the *Committee on Payments and Market Infrastructures* of the Bank for International Settlements (BIS), which promotes the safety and efficiency of payment, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy. The *CPMI* monitors and analyses developments in these arrangements, both within and across jurisdictions, and serves as a forum for central bank cooperation in related oversight, policy and operational matters, including the provision of central bank services. The CPMI works with the *IOSCO* on issues relating to international market infrastructures.
CREST	Acronym for *Certificateless Registry for Electronic Share Transfer*, which is a UK-based *CSD* that holds UK equities and government securities, as well as Irish equities and other international securities. It has been owned and operated by Euroclear since 2002. CREST operates the *DBV* collateral tri-party management service.

CSD	Acronym for *Central Securities Depository*, which is an institution that holds financial instruments, including equities, bonds, money market instruments and mutual funds. Where the holding of financial instruments take an electronic form, ownership of those instruments can be transferred by "book entry", which means updating electronic records rather than physical transfers of certificates.
CSD Participant or Indirect Participant	Field 1.17 of the *SFTR* reporting template. This field is populated with the *LEI* of the *Reporting Counterparty* (field 2.3) if it is settling the transfer of collateral securities directly at an (I)CSD as a Participant or, if it is settling through the agency of a custodial agent and is therefore an Indirect Participant of the *(I)CSD*, the field is populated with the *LEI* of the agent. See *ICMA* recommendation 4.6.
Currency of Collateral Nominal Amount	Field 2.85 of the *SFTR* reporting template. This field is populated with the three-letter *ISO* 4217 code for the currency in which the nominal amount of a fixed-income security is denominated. See *ICMA* recommendation 6.5.
DBV	Acronym for *Delivery-By-Value*. This is a tri-party collateral management service for sterling-denominated securities operated in the UK by Euroclear UKI (CREST). If a repo is managed by *DBV*, this is indicated in field 2.19 *Delivery by Value (DBV) Indicator*.
double-sided reporting	Where both parties to a transaction report to the same trade repository. The opposite is single-sided reporting.
Earliest Call-Back Date	Field 2.17 of the *SFTR* reporting template. This field is populated with the first date on which a termination or extension option can be exercised on an open, evergreen or extendible repo. See *ICMA* recommendation 5.4.
early termination (ETRM) report	One of eight codes for field 2.98 *Action Type*. *ETRM* indicates the termination of an open repo by one of the parties or the agreed termination of a fixed-term repo by both which will settle on the same day as the termination notice or agreement.
ECB	Acronym for the *European Central Bank*, which is the central bank for the euro and administers monetary policy within the eurozone, which comprises 19 member states of the EU. The national central banks of the eurozone and the *ECB* together constitute the Eurosystem.
EMIR	Acronym for *European Market Infrastructures Regulation* (Regulation (EU) 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories).

Entity Responsible for the Report	Field 1.10 of the *SFTR* reporting template. This field is populated with the *LEI* of the entity who has the regulatory obligation to ensure the completeness, accuracy and timeliness of reports to *trade repositories*. If responsibility for reporting is mandatorily delegated by *SFTR* to another entity (as it is for small EU *non-financial counterparties* dealing with EU *financial counterparties*, UCITS and Alternative Investment Funds), then the *Entity Responsible for the Report* will be someone other than the Reporting Counterparty (field 2.3). This regulatory obligation cannot be voluntarily delegated. See *ICMA* recommendation 4.1.
error (EROR) report	One of eight codes for field 2.98 *Action Type*. *EROR* indicates that the report in which it is included turned out not to exist (eg a repo transacted conditionally upon clearing by a *CCP* which is rejected by the *CCP*) or should not have been reported because it was not within scope of *SFTR* reporting obligations (eg a report by a non-EU entity trading from outside the EU). See *ICMA* recommendation 9.6.
ESCB	Acronym for *European System of Central Banks*. Composed of the *ECB* and the central banks of the EU. Members of the *ESCB* are exempt from the reporting obligations of *SFTR*. Transactions by parties with reporting obligations with members of the *ESCB* are also exempt from reporting under *SFTR* but have to be reported under *MiFIR* Article 22. See *ICMA* recommendation 1.11.
ESMA	Acronym for *European Securities and Markets Authority*, one of the three EU European Supervisory Authorities (ESA). It is responsible for safeguarding the stability of the EU financial system by enhancing investor protection, promoting stable and orderly financial markets, and fostering supervisory convergence amongst national securities regulators. It is also responsible for implementing *SFTR* and is author of the Level 2 regulations (*RTS* and *ITS*) and Level 3 regulations (*Validation Rules*).
Event Date	Field 2.3 in the *SFTR* reporting template. This field is populated the "date on which the reportable event…took place" or "the date for which the information contained in the report is provided". For reports of new transactions (field 2.98 *Action Type* = NEWT), it is the transaction date. For reports of balances of collateral --- field 2.98 *Action Type* = *COLU*, *MARU*, *REUU* --- it is the date as of which the outstanding balance is measured (settlement date). For modifications (field 2.98 *Action Type* = *MODI*), it is either (1) the date on which a change in maturity has been agreed, where the new maturity will be later than today or otherwise (2) the date on which a change in contractual terms comes into effect. For terminations (field 2.98 *Action Type* = *ETRM*), where settlement is on the same day, it is today. For corrections of previous reports (field 2.98/3.20/4.18 *Action Type* = *CORR*), it is the *Event Date* of the incorrect report. There is no *Event*

	Date for error reports (field 2.98/3.20/4.18 *Action Type* = *EROR*). See *ICMA* recommendation 9.2.
Execution Timestamp	Field 1.12 of the *SFTR* reporting template. This field is populated with the date and time of the formal creation of a repo contract expressed using the *ISO* 8601 date format and the *UTC* time format combined in the format YYYY-MM-DDThh:mm:ssZ.
Final Report	*Final Report on the Guidelines on reporting under Articles 4 and 12 SFTR (ESMA70-151-2703) of 06 January 2020.* The Final report contains *ESMA's* assessment of the feedback received from stakeholders on key elements of the *Guidelines* and is supposed to provide clarification regarding the compliance with the *SFTR* technical standards and ensure the consistent implementation of the new *SFTR* rules. A draft *Final Report* was published in March 2017.
financial counterparty	One of two classifications in field 1.4 *Nature of the Reporting Counterparty* of the *SFTR* reporting template used to classify the activity of the *Reporting Counterparty*. A *financial counterparty* (F) is an entity authorised in the EU or UK (or requiring authorization if it were established in the EU or UK) under any of eight Directives or Regulations as a credit institution (CDTI), investment firm (INVF), insurance undertaking (INUN), Alternative Investment Fund (AIFD), institution for occupational retirement provision (ORPI), *CCP* (CCPS), reinsurance undertaking (REIN), CSD (CSDS) or UCITS (UCIT). See *SFTR* Article 3(3).
FIRDS	Acronym for Financial Instruments Reference Database. Operated by *ESMA* but fed by *NCAs*. A database of reference data on *Trading Venues* and Systematic Internalizers, including *MICs* and *LEIs*.
Floating Rate	Field 2.25 of the *SFTR* reporting template. In the case of a floating-rate repo, this field is populated with a four-letter code for the interest rate index being as a reference for the floating repo rate. There is a list of codes for 26 indices in the *Validation Rules*. In practice, many of these indices are not used in the repo market. On the other hand, if an index is used that is not on the list, then this field is populated with the name of that index using up to 25 alphanumeric characters. See *ICMA* recommendations 5.1, 5.2 and 9.7.
Floating Rate Payment Frequency - Multiplier	Field 2.29 of the *SFTR* reporting template. This field is populated with the number of the units of time specified in field 2.28 below that are in the interval between each payment of interest, where the repo rate is determined by reference to the floating interest rate index selected in field 2.25 *Floating Rate* plus any *Spread* (field 2.32). See *ICMA* recommendation 5.2.

Floating Rate Payment Frequency – Time Period	Field 2.28 of the *SFTR* reporting template. This field is populated with the unit of time --- either days, weeks, months or years --- that is being used to measure the interval between each payment of interest, where the repo rate is determined by reference to the floating interest rate index selected in field 2.25 *Floating Rate* plus any *Spread* (field 2.32). See *ICMA* recommendation 5.2.
Floating Rate Reference Period - Multiplier	Field 2.27 of the *SFTR* reporting template. This is the number of the units of time specified in field 2.26 below that are in the period over which the floating interest rate index selected in field 2.25 *Floating Rate* accrues interest. See *ICMA* recommendation 5.2.
Floating Rate Reference Period - Time Period	Field 2.26 of the *SFTR* reporting template. This field is populated with the unit of time --- either days, weeks, months or years --- that is being used to measure the period over which the floating interest rate index selected in field 2.25 *Floating Rate* accrues interest, where the repo rate is determined by reference to the index plus any *Spread* (field 2.32). See *ICMA* recommendation 5.2.
Floating Rate Reset Frequency - Multiplier	Field 2.31 of the *SFTR* reporting template. This field is populated with the number of the units of time specified in field 2.30 below in the intervals between the re-fixing of the floating interest rate index selected in field 2.25 *Floating Rate*, where the repo rate is determined by reference to the index plus any *Spread* (field 2.32), eg 3-month LIBOR on a loan resets every three months. See *ICMA* recommendation 5.2.
Floating Rate Reset Frequency – Time Period	Field 2.30 of the *SFTR* reporting template. This field is populated with the unit of time --- either days, weeks, months or years --- that is being used to measure the intervals between the re-fixing of the floating interest rate index selected in field 2.25 *Floating Rate*, where the repo rate is determined by reference to the index plus any *Spread* (field 2.32). See *ICMA* recommendation 5.2.
FSB	Acronym for *Financial Stability Board*, which is an international body set up by the Group of Twenty (G-20) to promote international financial stability by monitoring and making recommendations about the global financial system, co-ordinating national financial authorities and international standard-setting bodies in their work toward developing strong regulatory, supervisory and other financial sector policies, and fostering a level playing field by encouraging coherent implementation of recommended policies across sectors and jurisdictions. *SFTR* is in part designed to meet the EU's obligations to contribute to *FSB* efforts to enhance the transparency of global *SFT* markets.

General Collateral Indicator	Field 2.18 of the *SFTR* reporting template. This field indicates whether the collateral securities are general collateral (GENE) or specific (SPEC). *ESMA* defines general collateral as involving "a general collateral arrangement…in which the collateral giver may choose the security to provide…amongst a relatively wide range of securities meeting predefined criteria". *ICMA* recommends limiting general collateral for reporting purposes to the collateral provided in tri-party repo, GC financing facilities (where a CCP and tri-party collateral manager are involved) , the GC facilities provided by electronic trading systems and auto-collateralizations. See *ICMA* recommendation 6.3.
GLEIF	Acronym for *Global Legal Entity Identifier Foundation*, which is a supranational not-for-profit organization established by the *FSB* in June 2014 to support the implementation and use of the *LEI* to enhance transparency in global financial markets. *GLEIF* is backed and overseen by the LEI Regulatory Oversight Committee, which represents public authorities from around the world. *GLEIF* operates a public database of *LEIs* called the *Global LEI Index*.
GMRA	Acronym for *Global Master Repurchase Agreement*, which is the most commonly used master agreement for documenting transactions is repo in the international market and many domestic markets. The *GMRA* is published by the *ICMA*.
go-live date	An informal industry term for the Reporting Start Date from which new repos transacted by parties subject to the reporting obligations of *SFTR* become subject to those reporting obligations. There are four go-live dates. In succession, these were 11 April 2020 for credit institutions and investment firms, 11 July 2020 for *CCPs* and *CSD*s, 11 October 2020 for insurance firms, UCITS, Alternative Investment Funds and pension funds, and 11 January 2021 for non-financial entities. However, the go-live date for credit institutions and investment firms was delayed because of the Covid-19 pandemic to 13 July 2020. See *ICMA* recommendation 6.1.
Guidelines	Guidelines on Reporting under Article 4 and 12 SFTR (ESMA70-151-2838) of 06 January 2020. The Guidelines are supposed to clarify various provisions of *SFTR* and provide practical guidance on the implementation of those provisions. A consultation paper on the Guidelines was published in May 2019.
Haircut or Margin	Field 2.89 of the *SFTR* reporting template. This is populated by the discount of the *Principal Amount on the Value Date* (field 2.37) to the *Collateral Market Value* (field 2.88) expressed as a percentage. In other words, the haircut to be reported is like a loan-to-value ratio. See *ICMA* recommendation 6.8.

ICMA	Acronym for the *International Capital Market Association*, which is a not-for-profit membership association representing a wide range of firms in global primary and secondary debt securities markets, and in the international repo market, including private and public sector issuers, banks and securities houses, asset managers and other investors, capital market infrastructure providers, central banks and law firms. *ICMA* publishes rules and recommendations for the conduct of cross-border business by its members. It also publishes the *GMRA* for the international repo market.
ICSD	Acronym for *International Central Securities Depository*. There are two *ICSDs*, Euroclear Bank and Clearstream Bank Luxembourg. They act as *CSDs* for Eurobonds and as global custodians for bonds issued in other markets and held at national *CSDs*. They also operate tri-party repo collateral management services.
ISIN	Acronym for *International Security Identification Number* which is a code that uniquely identifies a specific securities issue, which includes futures, options, warrants, rights, trusts and commercial paper. *ISINs* for securities issued in a particular country are allocated by the country's National Numbering Agency (NNA), which will be a member of *ANNA*. *ISINs* are composed of a 12-digit alphanumeric code and act to unify different ticker symbols which can vary by exchange and currency for the same security. For US securities, *ISINs* are extended versions of 9-character CUSIP (Committee on Uniform Security Identification Procedures) numbers. *ISINs* can be formed by adding an *ISO* 6166 country code and check digit to the beginning and end of a CUSIP, respectively. A special code, XS, is used for international securities cleared through the *ICSDs*.
ISO	The short form name (from "isos", which is the Greek for "equal") for the *International Organisation for Standardisation*, which is an independent, non-governmental international organization, with a membership of 164 national standards bodies, which produces specifications for products, services and systems, including country and currency codes, and *LEIs*.
IOSCO	Acronym for *International Organization of Securities Commissions*, which is an association of organizations that regulate the world's securities and futures markets. Members are typically primary securities and/or futures regulators in a national jurisdiction or the main financial regulator from each country. Its mandate is to develop, implement, and promote high standards of regulation to enhance investor protection and reduce systemic risk; share information with exchanges and assist them with technical and operational issues; and establish standards toward monitoring global investment transactions across borders and markets. *IOSCO* works with the *CPMI* at the BIS on issues relating to international market infrastructures.

ITS	Acronym for *Implementing Technical Standard*. Along with the *RTS*, the ITS is a so-called Level 2 financial legislative text drafted by one of the European Supervisory Authorities (ESAs --- EBA, EIOPA and ESMA) and then adopted by the EU Commission by means of an implementing act as a binding regulation. For *SFTR*, this is Commission Implementing Regulation (EU) 2019/363 of 13 December 2018 laying down implementing technical standards with regard to the format and frequency of reports on the details of securities financing transactions (*SFTs*) to trade repositories in accordance with Regulation (EU) 2015/2365 of the European Parliament and of the Council and amending Implementing Regulation (EU) No 1247/2012 with regard to the use of reporting codes in the reporting of derivative contracts. The *ITS* for *SFTR* focuses on the format of the data fields, whereas the other Level 2 regulation, the *RTS*, focus on the content.
Jurisdiction of the Issuer	Field 2.92 of the *SFTR* reporting template. Where the issuer is a foreign subsidiary, the jurisdiction required is that of the ultimate parent, unless that jurisdiction is not known, in which case, it is the jurisdiction of the subsidiary. See *ICMA* recommendation 6.11.
LEI	Acronym for *Legal Entity Identifier*, which is a 20-character, alpha-numeric code based on the *ISO* 17442 standard. It connects to key reference information on a database operated by *GLEIF* about an entity's ownership structure and thus answers the questions of "who is who" and "who owns whom", which allows identification of legal entities participating in financial transactions. The minimum reference data which must be supplied for each *LEI* in order to answer the question "who is who" --- so-called Level 1 data --- is: • Official name of the legal entity as recorded in official registers. • Registered address of that legal entity. • Country of formation. • Codes for the representation of names of countries and their subdivisions. • Date of the first *LEI* assignment; date of last update of the *LEI* information; and date of expiry, if applicable. Additional information may be registered as agreed between the legal entity and its *LEI* issuing organization. The so-called Level 2 data answers the question of "who owns whom", giving an *LEI* holder's "direct accounting consolidating parent" and "ultimate accounting consolidating parent".
LEI of the Issuer	Field 2.93 of the *SFTR* reporting template. Where this is not available for non-EEA issuers, it does not have to be reported for the first year of reporting obligations. See *ICMA* recommendation 6.10.
Level	Field 2.99 of the *SFTR* reporting template. This field indicates whether the report is for an individual transaction (TCTN) or a change in a position into which individual transactions are subsumed (PSTN).

mandatory	Cardinality applied to a data field in the *SFTR* reporting template requiring the field to be populated in all reports with *Action Types* (field 2.98) for which the *Validation Rules* specify the field to be mandatory.
margin update report	A set of data fields in Table 3 of the *SFTR* reporting template for reporting the value of initial margins posted by a *CCP* Clearing Member to the *CCP* or by a clearing client to a *CCP* Clearing Member, the value of variation margins transferred between a *CCP* and a Clearing Member or a Clearing Member and a clearing client, and excess collateral held by a *CCP* or a Clearing Member. The first margin update report is identified with the *Action Type* (field 3.20) NEWT. Subsequent margin update reports are identified with the *Action Type MARU* but are only made when there is a change in the value of the margin or excess collateral. See *ICMA* recommendation 8.2.
Master Agreement Type	Field 2.9 of the *SFTR* reporting template. A list of 22 master agreements for documenting *SFTs* plus generic codes for bilateral agreements (BIAG), bilateral agreements with *CSDs* (CSDA) and agreements not listed (OTHR). If an agreement is not listed, the code OTHR is reported and field 2.10 *Other Master Agreement Type* is populated. Where the standard version of the master agreement being reported has a publication year, this should be reported in field 2.11 *Master Agreement Version*. If there is no publication year, the year in which the two parties signed the agreement should be reported. See *ICMA* recommendations 1.8, 1.9, 7.1, 8.4 and 1.10.
Method Used to Provide Collateral	Field 2.20 of the *SFTR* reporting template. This field indicates whether the legal method of collateralisation is: • title transfer (TTCA) • a security interest with a right of re-hypothecation (SIUR) • a security interest without a right of re-hypothecation (SICA).
MIC	Acronym for *Market Identifier Code*. These are four alphanumeric character codes conforming to the *ISO* 10383 standard on *Codes for Exchanges and Market Identification* which identify exchanges, trading platforms, regulated or non-regulated markets and trade reporting facilities that are sources of prices and related information. See *ICMA* recommendation 4.5.
MiFID II	Acronym for the *Market in Financial Instruments Directive II*. The aim of this Directive is to create a single market in the EU and UK for investment services and activities and to provide harmonized protection for investors in financial instruments by setting out: conduct of business and organizational requirements for investment firms; authorization requirements for regulated markets; regulatory reporting

	to avoid market abuse; trade transparency obligation for shares; and rules on the admission of financial instruments to trading.
MiFIR	Acronym for the *Market in Financial Instruments Regulation* (Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012), which sets the rules and reporting requirements for the execution of transactions in financial instruments, including *Trading Venue* transparency, trade reporting and transaction reporting. *SFTs* transacted with members of the *ESCB* do not have to be reported under *SFTR* but do have to be reported under *MiFIR* Article 22. See *ICMA* recommendation 1.11 and 10.3.
Minimum Notice Period	Field 2.16 of the *SFTR* reporting template. This field reports the number of business days required under the terms of an open, evergreen or extendible repo to exercise an option to terminate or extend the transaction, in other words, the number of business days between notice and settlement. The problem is that the notice period for evergreen repos with extended notice periods and extendible repos use calendar days. See *ICMA* recommendation 5.3.
modification (MODI) report	One of eight codes for field 2.98 *Action Type*. *MODI* indicates that the report in which it is included is describing changes to the contractual terms of an *SFT* such as changes in the repo rate ("re-rates"), transaction size and in field 2.14 *Maturity Date*, provided the new maturity date is later than today (otherwise, the change is reported in an *early termination (ETRM) report*. *Modifications* during the course of a day only have to be reported as they stand at the end of the day. In other words, if a *modification* is made and the changed later in the same day, only the final *modification* has to be reported. See *ICMA* recommendations 9.4 and 9.5.
MTF	Acronym for *Multilateral Trading Facility*. A type of EU or UK *Trading Venue* regulated under *MiFID II*. Electronic trading platforms will typically be *MTFs* but some voice-brokers are *MTFs* as well.
NACE	Acronym for *Nomenclature Statistique des Activités Economiques dans la Communauté Européenne*, which is the Statistical Classification of Economic Activities in the European Community used in the EU system of national accounts. *NACE* provides the taxonomy for *Reporting Counterparties* (field 2.3) that are identified as non-financial counterparties in field 1.5 *Sector of the Reporting Counterparty*. There are 21 sectors, each represented by a letter between A and U.
NACK	Informal industry term for the rejection of a report by a *trade repository*.

Nature of the Reporting Counterparty	Field 1.4 of the *SFTR* reporting template. This field indicates whether a *Reporting Counterparty* (field 1.3) is a *financial counterparty* (F) or a *non-financial counterparty* (N).
NCA	Acronym for *National Competent Authority*. This means a national regulator in the EU.
non-financial counterparty	One of two classifications in field 1.4 *Nature of the Reporting Counterparty* of the *SFTR* reporting template used to classify the activity of the *Reporting Counterparty* (field 1.3). A *non-financial counterparty* (N) is an entity not authorised in the EU or UK (or not requiring authorization it were established in the EU or UK) under one of the eight Directives or Regulations that would qualify it as a *financial counterparty*. See *SFTR* Article 3(4). See *ICMA* recommendation 1.2.
optional	The cardinality applied to a data field in the *SFTR* reporting template requiring the field to be populated only it provides relevant additional information to fields which are *mandatory* or *conditional*. However, some optional fields always have to be reported because they are the only source of certain relevant information, for example, field 2.17 *CSD Participant or Indirect Participant* is always required for reports of new, modified and corrected reports and for collateral updates.
OTC	Acronym for *over the counter*. Under *SFTR*, this term is applied as an adjective to a marketplace (execution venue) which is not a *Trading Venue*, in other words, not a Regulated Market, an *MTF* or an *OTF*. See *ICMA* recommendation 4.5.
OTF	Acronym for *Organized Trading Facility*. A type of EU or UK *Trading Venue* regulated under *MiFID II* (field 2.8).
Other Counterparty	Field 1.11 of the *SFTR* reporting template. This field is populated with the *LEI* of the counterparty to the *Reporting Counterparty* (field 1.3).
Other Master Agreement Type	Field 2.10 of the *SFTR* reporting template. If field 2.9 *Master Agreement Type* is populated with OTHR, which means that the master agreement being used is not listed in that field, then this field must be populated with the name of the agreement described in up to 50 alphanumeric characters. This would be the case for *CCP*-cleared repos, where the master agreement is the *CCP's* rule book. In the case of undocumented buy/sell-backs, this field would be populated with UNDOCUMENTED. See *ICMA* recommendation 8.4.
pairing	The name under *SFTR* of the process whereby a *trade repository* which has received a report from only one party discovers whether another *trade repository* has the corresponding report from the other party. See single-sided reporting.

Portfolio Code	Field 2.97 of the *SFTR* reporting template. The proprietary code of up to 52 alphanumeric characters (including four special characters) used by a *Reporting Counterparty* (field 1.3) for a portfolio of repos which are margined collectively. This portfolio may include other *SFTs* and financial instruments. Should the portfolio include derivatives that are reportable under *EMIR*, it should already have a *Portfolio Code* and this should be used under *SFTR*. See *ICMA* recommendation 8.2.
position component (POSC) report	One of eight codes for field 2.98 *Action Type*. POSC indicates that the report in which it is included is describing changes to a position into which *CCP*-cleared repos have been subsumed. In practice, this *Action Type* cannot be used because the clearing of repos by *CCPs* do not meet *ESMA's* requirement for the individual repos to be fungible. See *ICMA* recommendation 8.1.
Price Currency	Field 2.86 of the *SFTR* reporting template. In the case of fixed-income securities, which are quoted in percentage terms, this field is left blank. Otherwise, this field is populated with the three-letter *ISO* 4217 code for the currency. See *ICMA* recommendation 6.6.
Price Per Unit	Field 2.87 of the *SFTR* reporting template. For fixed-income securities, this is the dirty price of the security (that is, including accrued interest) expressed as a percentage of the nominal amount. See *ICMA* recommendation 6.7.
Principal Amount Currency	Field 2.39 of the *SFTR* reporting template. This field is populated with the three-letter *ISO* 4217 code for the currency of the purchase price.
Principal Amount on Maturity Date	Field 2.38 of the *SFTR* reporting template. This field is populated with the repurchase price of the repo.
Principal Amount on Value Date	Field 2.37 of the *SFTR* reporting template. This field is populated with the purchase price of the repo.
prior repo	In the case of a *CCP*-cleared repo, a *prior repo* is the transaction that is assumed by *ESMA* to exist before novation by the *CCP*, whether or not there is actually any contract between the parties. The *UTI* of a *prior repo* is called an *RTN*. If a repo is cleared by open offer rather than novation, there is assumed to be no *prior repo*. See *ICMA* recommendation 9.7.
Rate Date	The date as of which an *Adjusted Rate* takes effect. Field 2.36 in the *SFTR* reporting template. See *ICMA* recommendation 5.2.

reconciliation	This is name in *SFTR* of the process whereby *trade repositories* match the data fields in the reports of the same transaction or event made by or on behalf of the two parties.
Report Submitting Entity	Field 1.2 of the *SFTR* reporting template. This is populated with the *LEI* of the entity which actually submits reports to a *trade repository*. It will therefore be directly connected and will be entity whose identity is authenticated by the *trade repository*. It may also be the *Reporting Counterparty* (field 1.3) or the *Entity Responsible for the Report* (field 1.10) or both. It has no regulatory responsibility for the completeness, accuracy or timeliness of reports. The role of the *Report Submitting Entity* can be voluntarily delegated to another entity. See *ICMA* recommendation 4.1.
Reporting Counterparty	Field 1.3 of the *SFTR* reporting template. This field is populated with the *LEI* of the entity about whom the report is being made, in other words, the principal to the transaction. This entity will also be the *Entity Responsible for the Report* (field 1.10) unless there is a mandatory delegation of the reporting obligation under *SFTR* to another entity. This is the case for small EU *non-financial counterparties* transacting with EU *financial counterparties* (where the *Entity Responsible for the Report* is the EU *financial counterparty*) as well as UCITS and Alternative Investment Funds (where the managers, if located in the EU, are responsible). See *ICMA* recommendation 4.1.
Reporting Timestamp	Field 1.1 of the *SFTR* reporting template. The date and time at which a *Report Submitting Entity* (field 1.2) submitted a report to a *trade repository* expressed using the *ISO* 8601 date format and the *UTC* time format combined in the format YYYY-MM-DDThh:mm:ssZ.
repurchase transaction	Defined (incorrectly) in *SFTR* as "*a transaction governed by an agreement by which a counterparty transfers securities, commodities, or guaranteed rights relating to title to securities or commodities where that guarantee is issued by a recognised exchange which holds the rights to the securities or commodities and the agreement does not allow a counterparty to transfer or pledge a particular security or commodity to more than one counterparty at a time, subject to a commitment to repurchase them, or substituted securities or commodities of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a repurchase agreement for the counterparty selling the securities or commodities and a reverse repurchase agreement for the counterparty buying them*". See *SFTR* Article 2(9).

re-use update report	A set of data fields in Table 4 of the *SFTR* reporting template for reporting the outstanding re-use of collateral received through *SFTs*. The first re-use update report is identified with the *Action Type* (field 4.18) NEWT. Subsequent re-use update reports are identified with the *Action Type* REUU. Updates are only reported when there is a change in the value of re-use. Re-use is reported per *ISIN* and can be actual (field 4.8) or can be estimated using an *FSB* formula (field 4.9). The two approaches are based on different definitions of re-use. Updates are made as of the end of the day. See *ICMA* recommendations 10.1, 10.2 and 10.3.
RTN	Acronym for *Report Tracking Number*. Field 2.2 in the SFTR reporting template. It is the *UTI* of a *"prior repo"*. See *ICMA* recommendation 8.3.
RTS	Acronym for *Regulatory Technical Standard*. Along with the *ITS*, an RTS is a so-called Level 2 financial legislative text drafted by one of the European Supervisory Authorities (ESAs) --- EBA, EIOPA and *ESMA* --- and then adopted as a binding regulation by the EU Commission by means of a delegated act. There are three RTSs under *SFTR*: • *RTS on reporting* (Commission Delegated Regulation (EU) 2019/356 of 13 December 2018 supplementing Regulation (EU) 2015/2365 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of securities financing transactions (SFTs) to be reported to trade repositories). • *RTS on data access* (Commission Delegated Regulation (EU) 2019/357 of 13 December 2018 supplementing Regulation (EU) 2015/2365 of the European Parliament and of the Council with regard to regulatory technical standards on access to details of securities financing transactions (SFTs) held in trade repositories). • *RTS on data verification* (Commission Delegated Regulation (EU) 2019/358 of 13 December 2018 supplementing Regulation (EU) 2015/2365 of the European Parliament and of the Council with regard to regulatory technical standards on the collection, verification, aggregation, comparison and publication of data on securities financing transactions (SFTs) by trade repositories). In respect of reporting obligations, the *RTS* focus on the content of the data fields, whereas the *ITS* focuses on the format.
Sector of the Reporting Counterparty	Field 1.5 of the *SFTR* reporting template. This field is populated with a code describing the class or classes of activity in which the *Reporting Counterparty* (field 1.3) is engaged. The codes comes from either a taxonomy for *financial counterparties* (based on the EU Directive or Regulation under which an entity is authorized) or one for *non-financial counterparties* (based on the *NACE* system used in EU national accounts).

SFT	Acronym for *securities financing transaction*. Under SFTR, these are *repurchase transactions*, *buy/sell-backs*, securities or commodities lending or borrowing, and margin lending.
SFTR	Acronym for *SFTR* (Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation).
single-sided reporting	Where the parties to a transaction report to different trade repositories, who must therefore pair the reports. The opposite is double-sided reporting.
small non-financial entity	*Small non-financial entities* for the purpose of *SFTR* are defined by reference to the definition of "medium-sized undertakings" in Article 3(3) of the *Accounting Directive (2013/34/EU)* as those which 'on their balance sheet dates do not exceed the limits of at least two of the three following criteria: • balance sheet total: EUR 20 000 000; • net turnover: EUR 40 000 000; • average number of employees during the financial year: 250. The reporting obligations of a *small EU non-financial entity* transacting an SFT with an EU *financial counterparty* are mandatorily delegated to the EU *financial counterparty*. It is the responsibility of the *small EU non-financial entity* to inform its EU *financial counterparties* of its status. See *ICMA* recommendation 1.2.
Spread	Field 2.32 of the *SFTR* reporting template. This field reports the number of basis points above or below the *Floating Rate* (field 2.25) that have been agreed as part of the repo rate for a floating-rate repo.
Termination Date	Field 2.15 of the *SFTR* reporting template. This field reports the settlement date in *ETRM* reports.
Termination Optionality	Field 2.22 of the *SFTR* reporting template. This field indicates whether a repo is an evergreen (EGRN) or extendible (ETSB). See *ICMA* recommendations 7.3, 7.4, 7.5 and 7.6.
trade repository	Central databases which collect and maintain the records of financial instruments, transactions and positions reported to them by market users. In the EU, *trade repositories* are authorized by *ESMA*, in the case of *SFTs*, under *SFTR*.
Trading Venue	Field 2.8 of the *SFTR* reporting template. This field reports whether a repo has been:

	• transacted on a *Trading Venue* regulated under *MiFID II* and *MiFIR* --- in which case, its segment *MIC* code is reported; • transacted *OTC* and then registered on a *Trading Venue* --- in which case, the *MIC* code XOFF is reported; • transacted *OTC* and not registered on a *Trading Venue* --- in which case, the *MIC* code XXX is reported. See *ICMA* recommendation 4.5.
Type of Collateral Component	Field 2.75 of the *SFTR* reporting template. This field indicates whether collateral is securities (SECU), cash (CASH) or commodities (COMM). If the collateral is a mixture, this field should be repeated.
T2S	Acronym for *Target 2 Securities*, which is the securities settlement system operated by the *ECB* which offers centralised settlement in central bank money in eurozone and Danish securities.
UTC	French acronym for *Co-ordinated Universal Time*, which is effectively Greenwich Mean Time (GMT). This is the time format to be used in all *SFTR* reports.
UTI	Acronym for *Unique Transaction Identifier*, which is field 2.1 of the *SFTR* reporting template. A *UTI* is a code of up to 52 alphanumeric characters that is unique to a particular *SFT*. Once allocated, a UTI cannot be amended. Where repos are transacted on a *Trading Venue*, cleared on a CCP or matched on a third-party trade confirmation platform, the infrastructure are required to generate the *UTI*. Otherwise, it is up to the parties. See *ICMA* recommendations 3.1 and 32.
Validation Rules	This is a spreadsheet setting out the content, format and cardinality of data fields in the *SFTR* reporting template and, where relevant, the conditional links between data fields. In many respects, it summarizes the *SFTR* *RTS* and *ITS*. It is a Level 3 financial legislative text published by *ESMA*. The latest version (ESMA70-151-1019) was published on 6 January 2020.
Value Date of the Collateral	Field 2.74 of the *SFTR* reporting template. This field reports, where a portfolio of repos is collateralized on a net exposure basis (so field 2.73 *Collateralization of Net Exposure* = TRUE), the value date (field 2.13 *Value Date*) of the earliest repo in the portfolio. This field was originally introduced to cover the situation where the collateral for a securities loan was "pre-paid". It was then extended to all net collateralized repos but, under the latest *Validation Rules*, the field now no longer applies to reports of new repos but only to *COLU* and *CORR* reports. See *ICMA* recommendation 6.2.

Annex V: UTI sharing XML schema and template files

Shared data specification

XML schema

```
<?xml version="1.0" encoding="UTF-8"?>

<xs:schema xmlns:xs="http://www.w3.org/2001/XMLSchema">

	<!-- START: TYPE DEFINITIONS -->

	<xs:simpleType name="MaxElevenDigitType_Optional">
		<xs:annotation>
			<xs:documentation>
				An empty field OR up to 11 numeric characters including up to 10 decimals expressed as percentage where 100% is represented as â€œ100â€?.
				The decimal mark is not counted as a numeric character.
				If populated, it shall be represented with a dot.
				The negative symbol, if populated, is not counted as a numeric character.
			</xs:documentation>
		</xs:annotation>
		<xs:union>
			<xs:simpleType>
				<xs:restriction base='xs:string'>
					<xs:length value="0"/>
				</xs:restriction>
			</xs:simpleType>
			<xs:simpleType>
				<xs:restriction base='xs:decimal'>
					<xs:totalDigits value="11"/>
					<xs:fractionDigits value="10"/>
				</xs:restriction>
			</xs:simpleType>
		</xs:union>
	</xs:simpleType>

	<xs:simpleType name="MaxEighteenDigitType_Optional">
		<xs:annotation>
			<xs:documentation>
				An empty field OR up to 18 numeric characters including up to 5 decimals.
```

```
                The decimal mark is not counted as a numeric character.
                If populated, it shall be represented with a dot.
            </xs:documentation>
        </xs:annotation>
        <xs:union>
            <xs:simpleType>
                <xs:restriction base='xs:string'>
                    <xs:length value="0"/>
                </xs:restriction>
            </xs:simpleType>
            <xs:simpleType>
                <xs:restriction base='xs:decimal'>
                    <xs:totalDigits value="18"/>
                    <xs:fractionDigits value="5"/>
                </xs:restriction>
            </xs:simpleType>
        </xs:union>
    </xs:simpleType>

    <xs:simpleType name="CurrencyCodeType">
        <xs:annotation>
            <xs:documentation>
                ISO 4217 Currency Code (3 capitalized alphabetic characters).
                Follows the scheme [CCC] where C is a capitalized alphabetic
character.
                No content-wise check in place (e.g. is "XYZ" actually an existing
currency?) as the set of specified currency codes may be subject to changes at any time.
            </xs:documentation>
        </xs:annotation>
        <xs:restriction base="xs:string">
            <xs:length value="3"/>
            <xs:pattern value="[A-Z]*"/>
        </xs:restriction>
    </xs:simpleType>

    <xs:simpleType name="CurrencyCodeType_Optional">
        <xs:annotation>
            <xs:documentation>
                An empty field OR a valid CurrencyCodeType (see above).
            </xs:documentation>
        </xs:annotation>
        <xs:union memberTypes="CurrencyCodeType">
            <xs:simpleType>
                <xs:restriction base='xs:string'>
                    <xs:length value="0"/>
                </xs:restriction>
```

```
                </xs:simpleType>
            </xs:union>
        </xs:simpleType>

        <xs:simpleType name="CountryCodeType">
            <xs:annotation>
                <xs:documentation>
                    ISO 3166-1 alpha-2 Country Code (2 capialized alphabetic
characters).
                    Follows the scheme [CC] where C is a capitalized alphabetic
character.
                    No content-wise check in place (e.g. is "XY" actually an existing
country?) as the set of specified country codes may be subject to changes at any time.
                </xs:documentation>
            </xs:annotation>
            <xs:restriction base="xs:string">
                <xs:length value="2"/>
                <xs:pattern value="[A-Z]*"/>
            </xs:restriction>
        </xs:simpleType>

        <xs:simpleType name="CountryCodeType_Optional">
            <xs:annotation>
                <xs:documentation>
                    An empty field OR a valid CountryCodeType (see above).
                </xs:documentation>
            </xs:annotation>
            <xs:union memberTypes="CountryCodeType">
                <xs:simpleType>
                    <xs:restriction base='xs:string'>
                        <xs:length value="0"/>
                    </xs:restriction>
                </xs:simpleType>
            </xs:union>
        </xs:simpleType>

        <xs:simpleType name="LEICodeType">
            <xs:annotation>
                <xs:documentation>
                    ISO 17442 Legal Entity Identifier (LEI) (20 alphanumeric characters).
                    Follows the scheme [AAAAAAAAAAAAAAAAAAAA] where A is a an
alphanumeric character (capitalized, if alphabetic).
                    No content-wise check in place (e.g. is "1234GHIJKLMNOPQR00"
actually an existing legal entity?) as the set of specified LEIs is changed constantly.
                </xs:documentation>
            </xs:annotation>
```

```
            <xs:restriction base="xs:string">
                <xs:length value="20"/>
                <xs:pattern value="[A-Z0-9]*"/>
            </xs:restriction>
        </xs:simpleType>

        <xs:simpleType name="LEICodeType_Optional">
            <xs:annotation>
                <xs:documentation>
                    An empty field OR a valid LEICodeType (see above).
                </xs:documentation>
            </xs:annotation>
            <xs:union memberTypes="LEICodeType">
                <xs:simpleType>
                    <xs:restriction base='xs:string'>
                        <xs:length value="0"/>
                    </xs:restriction>
                </xs:simpleType>
            </xs:union>
        </xs:simpleType>

        <xs:simpleType name="ISINCodeType">
            <xs:annotation>
                <xs:documentation>
                    ISO 6166 International Securities Identification Number (ISIN) (12
alphanumeric characters).
                    Follows the scheme [AAAAAAAAAAAA] where A is an alphanumeric
character (capitalized, if alphabetic).
                    No content-wise check in place (e.g. is "US1234567890" actually an
existing ISIN?) as the set of specified ISINs is changed constantly.
                </xs:documentation>
            </xs:annotation>
            <xs:restriction base="xs:string">
                <xs:length value="12"/>
                <xs:pattern value="[A-Z0-9]*"/>
            </xs:restriction>
        </xs:simpleType>

        <xs:simpleType name="ISINCodeType_Optional">
            <xs:annotation>
                <xs:documentation>
                    An empty field OR a valid ISINCodeType (see above).
                </xs:documentation>
            </xs:annotation>
            <xs:union memberTypes="ISINCodeType">
                <xs:simpleType>
```

```
                        <xs:restriction base='xs:string'>
                            <xs:length value="0"/>
                        </xs:restriction>
                    </xs:simpleType>
                </xs:union>
            </xs:simpleType>

            <xs:simpleType name="UTICodeType_Optional">
                <xs:annotation>
                    <xs:documentation>
                        (An empty field OR) a Unique Transaction Identifier code (up to 52
alphanumeric characters).
                        Only capitalized alphabetic characters Aâ€“Z, digits 0â€“9 as well as
special characters "." "-" and "_" are allowed.
                    </xs:documentation>
                </xs:annotation>
                <xs:restriction base="xs:string">
                    <xs:maxLength value="52"/>
                    <xs:pattern value="[A-Z0-9._\-]*" />
                </xs:restriction>
            </xs:simpleType>

                <xs:simpleType name="TradeIDType_Optional">
                <xs:annotation>
                    <xs:documentation>
                        (An empty field OR) a Trade Identifier code (up to 52 alphanumeric
characters).
                        Only capitalized alphabetic characters Aâ€“Z and the digits 0â€“9,
inclusive in both cases, are allowed.
                    </xs:documentation>
                </xs:annotation>
                <xs:restriction base="xs:string">
                    <xs:maxLength value="52"/>
                    <xs:pattern value="[A-Z0-9]*" />
                </xs:restriction>
            </xs:simpleType>

            <xs:simpleType name="FloatingRateIndexType_Optional">
                <xs:annotation>
                    <xs:documentation>
                        (An empty field OR) up to 25 alphanumeric characters. Preferably
use one of one of the following indices specified by ESMA and ICMA:
                        'EONA' â€“ EONIA,
                        'EONS' â€“ EONIA SWAP,
                        'EURI' â€“ EURIBOR,
                        'EUUS' â€“ EURODOLLAR,
```

'EUCH' â€“ EuroSwiss,
'GCFR' â€“ GCF REPO,
'ISDA' â€“ ISDAFIX,
'LIBI' â€“ LIBID,
'LIBO' â€“ LIBOR,
'MAAA' â€“ Muni AAA,
'PFAN' â€“ Pfandbriefe,
'TIBO' â€“ TIBOR,
'STBO' â€“ STIBOR,
'BBSW' â€“ BBSW,
'JIBA' â€“ JIBAR,
'BUBO' â€“ BUBOR,
'CDOR' â€“ CDOR,
'CIBO' â€“ CIBOR,
'MOSP' â€“ MOSPRIM,
'NIBO' â€“ NIBOR,
'PRBO' â€“ PRIBOR,
'TLBO' â€“ TELBOR,
'WIBO' â€“ WIBOR,
'TREA' â€“ Treasury,
'SWAP' â€“ SWAP,
'FUSW' â€“ Future SWAP,
'AONA' - Australian Overnight Index Average (AONIA),
'BGCR' - Broad General Collateral Rate,
'CORR' - CORRA Canadian Overnight Repo Rate Average,
'EFFR' - Effective Fed Funds Rate,
'ESTR' - Euro Short Term Rate,
'OBFR' - Overnight Broad Funding Rate,
'RFRE' - RepoFunds Rate Euro,
'RFRD' - RepoFunds Rate Germany,
'RFRF' - RepoFunds Rate France,
'RFRI' - RepoFunds Rate Italy,
'RFRS' - RepoFunds Rate Spain,
'RFRN' - RepoFunds Rate Netherlands,
'RFRB' - RepoFunds Rate Belgium,
'RFRU' - Sterling RepoFunds Rate,
'RONA' - RONIA,
'SARO' - SARON,
'SOFR' - SOFR,
'SONA' - SONIA,
'SORA' - Singapore Overnight Rate Average,
'GCPO' - STOXX GC Pooling EUR ON,
'GPEO' - STOXX GC Pooling EUR Extended ON,
'GCPT' - STOXX GC Pooling EUR TN,
'GPET' - STOXX GC Pooling EUR Extended TN,
'GCSN' - STOXX GC Pooling EUR SN,

```
                    'GPSN' - STOXX GC Pooling EUR Extended SN,
                    'GCFR' - STOXX GC Pooling EUR Funding Rate,
                    'GCDR' - STOXX GC Pooling EUR Deferred Funding Rate,
                    'GC1W' - STOXX GC Pooling EUR 1 Week,
                    'GC2W' - STOXX GC Pooling EUR 2 Weeks,
                    'GC2M' - STOXX GC Pooling EUR 1 Month,
                    'GC3M' - STOXX GC Pooling EUR 3 Months,
                    'GC6M' - STOXX GC Pooling EUR 6 Months,
                    'GC9M' - STOXX GC Pooling EUR 9 Months,
                    'GC12' - STOXX GC Pooling EUR 12 Months,
                    'TPGR' - Tri-Party General Collateral Rate,
                    'TOIS' - TOIS,
                    'TONA' - TONAR
                </xs:documentation>
            </xs:annotation>
            <xs:restriction base="xs:string">
                <xs:maxLength value="25"/>
                <xs:pattern value="[A-Z0-9]*"/>
            </xs:restriction>
        </xs:simpleType>

        <xs:simpleType name="ProductCodeType">
            <xs:annotation>
                <xs:documentation>
                    Product code according to Commission Delegated Regulation (EU) 2017/585 of 14 July 2016 (4 capitalized alphabetic characters).
                    Follows the scheme [CCC] where C is a capitalized alphabetic character.
                    No content-wise check in place (e.g. is "ABCD" actually an existing product code?) as the set of specified currency codes may be subject to changes at any time.
                </xs:documentation>
            </xs:annotation>
            <xs:restriction base="xs:string">
                <xs:length value="4"/>
                <xs:pattern value="[A-Z]*"/>
            </xs:restriction>
        </xs:simpleType>

        <xs:simpleType name="ProductCodeType_Optional">
            <xs:annotation>
                <xs:documentation>
                    An empty field OR a valid ProductCodeType (see above).
                </xs:documentation>
            </xs:annotation>
            <xs:union memberTypes="ProductCodeType">
                <xs:simpleType>
```

```
                        <xs:restriction base='xs:string'>
                            <xs:length value="0"/>
                        </xs:restriction>
                    </xs:simpleType>
                </xs:union>
            </xs:simpleType>

            <xs:simpleType name="UnitOfMeasureType_Optional">
                <xs:annotation>
                    <xs:documentation>
                        (An empty field OR) one of the Unit of Measure codes (4 capitalized
alphabetic characters).
                        Follows the scheme [CCCC] where C is a capitalized alphabetic
character.
                    </xs:documentation>
                </xs:annotation>
                <xs:restriction base="xs:string">
                    <xs:enumeration value=""/>
                    <xs:enumeration value="KILO"/>
                    <xs:enumeration value="PIEC"/>
                    <xs:enumeration value="TONS"/>
                    <xs:enumeration value="METR"/>
                    <xs:enumeration value="INCH"/>
                    <xs:enumeration value="YARD"/>
                    <xs:enumeration value="GBGA"/>
                    <xs:enumeration value="GRAM"/>
                    <xs:enumeration value="CMET"/>
                    <xs:enumeration value="SMET"/>
                    <xs:enumeration value="FOOT"/>
                    <xs:enumeration value="MILE"/>
                    <xs:enumeration value="SQIN"/>
                    <xs:enumeration value="SQFO"/>
                    <xs:enumeration value="SQMI"/>
                    <xs:enumeration value="GBOU"/>
                    <xs:enumeration value="USOU"/>
                    <xs:enumeration value="GBPI"/>
                    <xs:enumeration value="USPI"/>
                    <xs:enumeration value="GBQA"/>
                    <xs:enumeration value="USQA"/>
                    <xs:enumeration value="USGA"/>
                    <xs:enumeration value="MMET"/>
                    <xs:enumeration value="KMET"/>
                    <xs:enumeration value="SQYA"/>
                    <xs:enumeration value="ACRE"/>
                    <xs:enumeration value="ARES"/>
                    <xs:enumeration value="SMIL"/>
```

```
                <xs:enumeration value="SCMT"/>
                <xs:enumeration value="HECT"/>
                <xs:enumeration value="SQKI"/>
                <xs:enumeration value="MILI"/>
                <xs:enumeration value="CELI"/>
                <xs:enumeration value="LITR"/>
                <xs:enumeration value="PUND"/>
                <xs:enumeration value="ALOW"/>
                <xs:enumeration value="ACCY"/>
                <xs:enumeration value="BARL"/>
                <xs:enumeration value="BCUF"/>
                <xs:enumeration value="BDFT"/>
                <xs:enumeration value="BUSL"/>
                <xs:enumeration value="CEER"/>
                <xs:enumeration value="CLRT"/>
                <xs:enumeration value="CBME"/>
                <xs:enumeration value="DAYS"/>
                <xs:enumeration value="DMET"/>
                <xs:enumeration value="ENVC"/>
                <xs:enumeration value="ENVO"/>
                <xs:enumeration value="HUWG"/>
                <xs:enumeration value="KWDC"/>
                <xs:enumeration value="KWHO"/>
                <xs:enumeration value="KWHC"/>
                <xs:enumeration value="KMOC"/>
                <xs:enumeration value="KWMC"/>
                <xs:enumeration value="KWYC"/>
                <xs:enumeration value="MWDC"/>
                <xs:enumeration value="MWHO"/>
                <xs:enumeration value="MWHC"/>
                <xs:enumeration value="MWMC"/>
                <xs:enumeration value="MMOC"/>
                <xs:enumeration value="MWYC"/>
                <xs:enumeration value="TONE"/>
                <xs:enumeration value="MIBA"/>
                <xs:enumeration value="MBTU"/>
                <xs:enumeration value="OZTR"/>
                <xs:enumeration value="UCWT"/>
                <xs:enumeration value="IPNT"/>
                <xs:enumeration value="PWRD"/>
                <xs:enumeration value="DGEU"/>
                <xs:enumeration value="GGEU"/>
                <xs:enumeration value="TOCD"/>
        </xs:restriction>
</xs:simpleType>
```

```
	<xs:simpleType name="Date_Optional">
		<xs:annotation>
			<xs:documentation>
				An empty field OR a valid xs:date type.
				Note that xs:date is compliant with ISO 8601 standard [YYY-MM-
DD].
			</xs:documentation>
		</xs:annotation>
		<xs:union memberTypes="xs:date">
			<xs:simpleType>
				<xs:restriction base='xs:string'>
					<xs:length value="0"/>
				</xs:restriction>
			</xs:simpleType>
		</xs:union>
	</xs:simpleType>

	<xs:simpleType name="DateTime_Optional">
		<xs:annotation>
			<xs:documentation>
				An empty field OR a valid xs:dateTime type.
				Note that xs:dateTime is compliant with ISO 8601 standard [YYY-
MM-DD]T[hh:mm:ss]Z.
			</xs:documentation>
		</xs:annotation>
		<xs:union memberTypes="xs:dateTime">
			<xs:simpleType>
				<xs:restriction base='xs:string'>
					<xs:length value="0"/>
				</xs:restriction>
			</xs:simpleType>
		</xs:union>
	</xs:simpleType>

	<xs:simpleType name="TypeOfSFTType_Optional">
		<xs:annotation>
			<xs:documentation>
				(An empty field OR) one of either SLEB or REPO.
				Type of SFT transaction as defined in paragraphs (7) to (10) of
Article 3 of Regulation (EU) No 2365/2015.
				'SLEB' - securities or commodities lending or securities or
commodities borrowing,
				'REPO' - repurchase transaction,
				'SBSC' - buy-sell-back transaction
			</xs:documentation>
		</xs:annotation>
```

```
            <xs:restriction base="xs:string">
                <xs:enumeration value=""/>
                <xs:enumeration value="SLEB"/>
                <xs:enumeration value="REPO"/>
                <xs:enumeration value="SBSC"/>
            </xs:restriction>
        </xs:simpleType>

        <xs:simpleType name="CounterpartySideType_Optional">
            <xs:annotation>
                <xs:documentation>
                    (An empty field OR) one of either GIVE or TAKE.
                    Indication of whether the reporting counterparty is a collateral
provider or a collateral taker.
                    In accordance with the Article 4 of the Commission Implementing
Regulation (EU) 2019/363.
                    'TAKE' - Collateral taker,
                    'GIVE' - Collateral provider
                </xs:documentation>
            </xs:annotation>
            <xs:restriction base="xs:string">
                <xs:enumeration value=""/>
                <xs:enumeration value="GIVE"/>
                <xs:enumeration value="TAKE"/>
            </xs:restriction>
        </xs:simpleType>

        <!-- END: TYPE DEFINITIONS -->

        <!-- START: DOCUMENT STRUCTURE -->
        <xs:element name="UTI_Exchange">
            <xs:complexType>
                <xs:sequence>
                    <xs:element name="Transaction" maxOccurs="unbounded"
minOccurs="0">
                        <xs:complexType>
                            <xs:sequence>
                                <xs:element type="TradeIDType_Optional"
name="ShellQuantity" minOccurs="0" maxOccurs="1" />
                                <xs:element type="TradeIDType_Optional"
name="ShellTradeID" minOccurs="0" maxOccurs="1" />
                                <xs:element type="LEICodeType_Optional"
name="ReportingCounterparty" minOccurs="0" maxOccurs="1"/>
                                <xs:element
type="CountryCodeType_Optional" name="BranchOfTheReportingCounterparty"
minOccurs="0" maxOccurs="1"/>
```

```
                                                <xs:element
type="CountryCodeType_Optional" name="BranchOfTheOtherCounterparty" minOccurs="0"
maxOccurs="1"/>
                                                <xs:element
type="CounterpartySideType_Optional" name="CounterpartySide" minOccurs="0"
maxOccurs="1" />
                                                <xs:element type="LEICodeType_Optional"
name="OtherCounterparty" minOccurs="0" maxOccurs="1"/>
                                                <xs:element
type="CountryCodeType_Optional" name="CountryOfTheOtherCounterparty" minOccurs="0"
maxOccurs="1"/>
                                                <xs:element type="LEICodeType_Optional"
name="TripartyAgent" minOccurs="0" maxOccurs="1" />
                                                <xs:element type="LEICodeType_Optional"
name="AgentLender" minOccurs="0" maxOccurs="1" />
                                                <xs:element type="UTICodeType_Optional"
name="UniqueTransactionIdentifier" minOccurs="0" maxOccurs="1"/>
                                                <xs:element type="TypeOfSFTType_Optional"
name="TypeOfSFT" minOccurs="0" maxOccurs="1" />
                                                <xs:element type="DateTime_Optional"
name="ExecutionTimestamp" minOccurs="0" maxOccurs="1"/>
                                                <xs:element type="Date_Optional"
name="ValueDate" minOccurs="0" maxOccurs="1"/>
                                                <xs:element type="Date_Optional"
name="MaturityDate" minOccurs="0" maxOccurs="1"/>
                                                <xs:element
type="MaxElevenDigitType_Optional" name="FixedRate" minOccurs="0" maxOccurs="1"/>
                                                <xs:element
type="FloatingRateIndexType_Optional" name="FloatingRate" minOccurs="0"
maxOccurs="1"/>
                                                <xs:element
type="MaxEighteenDigitType_Optional" name="PrincipalAmountOnValueDate" minOccurs="0"
maxOccurs="1"/>
                                                <xs:element
type="CurrencyCodeType_Optional" name="PrincipalAmountCurrency" minOccurs="0"
maxOccurs="1"/>
                                                <xs:element type="ISINCodeType_Optional"
name="SecurityIdentifier" minOccurs="0" maxOccurs="1"/>
                                                <xs:element
type="ProductCodeType_Optional" name="BaseProduct" minOccurs="0" maxOccurs="1"/>
                                                <xs:element
type="ProductCodeType_Optional" name="SubProduct" minOccurs="0" maxOccurs="1"/>
                                                <xs:element
type="ProductCodeType_Optional" name="FurtherSubProduct" minOccurs="0"
maxOccurs="1"/>
```

```
                                                <xs:element
type="MaxEighteenDigitType_Optional" name="QuantityOrNominalAmount" minOccurs="0"
maxOccurs="1"/>
                                                <xs:element
type="UnitOfMeasureType_Optional" name="UnitOfMeasue" minOccurs="0" maxOccurs="1"/>
                                                <xs:element
type="CurrencyCodeType_Optional" name="CurrencyOfNominalAmount" minOccurs="0"
maxOccurs="1"/>
                                                <xs:element
type="MaxElevenDigitType_Optional" name="FixedRebateRate" minOccurs="0"
maxOccurs="1"/>
                                                <xs:element
type="FloatingRateIndexType_Optional" name="FloatingRebateRate" minOccurs="0"
maxOccurs="1"/>
                                                <xs:element
type="MaxElevenDigitType_Optional" name="LendingFee" minOccurs="0" maxOccurs="1"/>
                                                <xs:element type="ISINCodeType_Optional"
name="IdentificationOfSecurityUsedAsCollateral" minOccurs="0" maxOccurs="1"/>
                                                <xs:element
type="MaxEighteenDigitType_Optional" name="CollateralQuantityOrNominalAmount"
minOccurs="0" maxOccurs="1"/>
                                            </xs:sequence>
                                        </xs:complexType>
                                    </xs:element>
                                </xs:sequence>
                            </xs:complexType>
                        </xs:element>
                        <!-- END: DOCUMENT STRUCTURE -->
</xs:schema>
```

XML file example

```
<?xml version="1.0" encoding="UTF-8"?>

<UTI_Exchange
        xmlns:xsi="http://www.w3.org/2001/XMLSchema-instance"
        xsi:noNamespaceSchemaLocation="SFTR_UTI_Exchange_Schema.xsd">

        <!-- Example follows the 5.0 (fixed rate REPO) set of SFTR Sample reports issued by ICMA ERCC Task Force. -->
        <Transaction>
                <ReportingCounterparty>7LTWFZYICNSX8D621K86</ReportingCounterparty>
                <BranchOfTheReportingCounterparty>DE</BranchOfTheReportingCounterparty>
                <BranchOfTheOtherCounterparty>GB</BranchOfTheOtherCounterparty>
                <CounterpartySide>GIVE</CounterpartySide>
                <OtherCounterparty>529900SEOICVR2VM6Y05</OtherCounterparty>
                <CountryOfTheOtherCounterparty>GB</CountryOfTheOtherCounterparty>

        <UniqueTransactionIdentifier>E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234</UniqueTransactionIdentifier>
                <TypeOfSFT>REPO</TypeOfSFT>
                <ExecutionTimestamp>2018-04-19T10:55:30Z</ExecutionTimestamp>
                <ValueDate>2018-04-20</ValueDate>
                <MaturityDate>2018-04-27</MaturityDate>
                <FixedRate>-0.61000000</FixedRate>
                <PrincipalAmountOnValueDate>10162756.90</PrincipalAmountOnValueDate>
                <PrincipalAmountCurrency>EUR</PrincipalAmountCurrency>

        <IdentificationOfSecurityUsedAsCollateral>DE0001102317</IdentificationOfSecurityUsedAsCollateral>

        <CollateralQuantityOrNominalAmount>10000000.00</CollateralQuantityOrNominalAmount>
        </Transaction>

        <!-- Example follows the 2.7 (floating rate REPO) set of SFTR Sample reports issued by ICMA ERCC Task Force -->
        <Transaction>
                <ReportingCounterparty>MP6I5ZYZBEU3UXPYFY54</ReportingCounterparty>
                <CounterpartySide>GIVE</CounterpartySide>
                <OtherCounterparty>DL6FFRRLF74S01HE2M14</OtherCounterparty>
                <CountryOfTheOtherCounterparty>GB</CountryOfTheOtherCounterparty>

        <UniqueTransactionIdentifier>E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234</UniqueTransactionIdentifier>
                <TypeOfSFT>REPO</TypeOfSFT>
```

<ExecutionTimestamp>2020-04-20T10:55:30Z</ExecutionTimestamp>
<ValueDate>2020-04-21</ValueDate>
<MaturityDate>2020-04-28</MaturityDate>
<FloatingRate>EONA</FloatingRate>
<PrincipalAmountOnValueDate>10162756.90</PrincipalAmountOnValueDate>
<PrincipalAmountCurrency>EUR</PrincipalAmountCurrency>

<IdentificationOfSecurityUsedAsCollateral>DE0001102317</IdentificationOfSecurityUsedAsCollateral>

<CollateralQuantityOrNominalAmount>10000000.00</CollateralQuantityOrNominalAmount>
</Transaction>

<!-- Example follows the 2.5 (fixed rate REPO with agent lender) set of SFTR Sample reports issued by ICMA ERCC Task Force -->
<Transaction>
<ReportingCounterparty>549300KM1L458YNTN211</ReportingCounterparty>
<CounterpartySide>GIVE</CounterpartySide>
<OtherCounterparty>AL61GG34LM12CV28I911</OtherCounterparty>
<CountryOfTheOtherCounterparty>GB</CountryOfTheOtherCounterparty>
<AgentLender>549300RM34L56MA11M54</AgentLender>

<UniqueTransactionIdentifier>E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234</UniqueTransactionIdentifier>
<TypeOfSFT>REPO</TypeOfSFT>
<ExecutionTimestamp>2020-04-17T10:55:30Z</ExecutionTimestamp>
<ValueDate>2020-04-21</ValueDate>
<MaturityDate>2020-04-28</MaturityDate>
<FixedRate>-0.61000000</FixedRate>
<PrincipalAmountOnValueDate>10162756.90</PrincipalAmountOnValueDate>
<PrincipalAmountCurrency>EUR</PrincipalAmountCurrency>

<IdentificationOfSecurityUsedAsCollateral>DE0001102317</IdentificationOfSecurityUsedAsCollateral>

<CollateralQuantityOrNominalAmount>10000000.00</CollateralQuantityOrNominalAmount>
</Transaction>

<!-- Example follows the 1.1 (SBSC) set of SFTR Sample reports issued by ICMA ERCC Task Force -->
<Transaction>
<ReportingCounterparty>MP6I5ZYZBEU3UXPYFY54</ReportingCounterparty>
<CounterpartySide>GIVE</CounterpartySide>
<OtherCounterparty>DL6FFRRLF74S01HE2M14</OtherCounterparty>

<CountryOfTheOtherCounterparty>GB</CountryOfTheOtherCounterparty>

<UniqueTransactionIdentifier>E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234</UniqueTransactionIdentifier>
<TypeOfSFT>SBSC</TypeOfSFT>
<ExecutionTimestamp>2020-04-20T10:55:30Z</ExecutionTimestamp>
<ValueDate>2020-04-21</ValueDate>
<MaturityDate>2020-04-28</MaturityDate>
<PrincipalAmountOnValueDate>10213826.03</PrincipalAmountOnValueDate>
<PrincipalAmountCurrency>EUR</PrincipalAmountCurrency>

<IdentificationOfSecurityUsedAsCollateral>DE0001102317</IdentificationOfSecurityUsedAsCollateral>

<CollateralQuantityOrNominalAmount>10000000.00</CollateralQuantityOrNominalAmount>
</Transaction>

<!-- This technical example shows the full list of possible data fields. The contained data serves as a placeholder and is not meaningful. -->
<Transaction>
<ShellQuantity>DE02MP6I000SHELL000QUANTITY0001234</ShellQuantity>
<ShellTradeID>DE02MP6I000SHELL000ID0001234</ShellTradeID>
<ReportingCounterparty>7LTWFZYICNSX8D621K86</ReportingCounterparty>
<BranchOfTheReportingCounterparty>DE</BranchOfTheReportingCounterparty>
<BranchOfTheOtherCounterparty>GB</BranchOfTheOtherCounterparty>
<CounterpartySide>GIVE</CounterpartySide>
<OtherCounterparty>529900SEOICVR2VM6Y05</OtherCounterparty>
<CountryOfTheOtherCounterparty>GB</CountryOfTheOtherCounterparty>
<TripartyAgent>549300RM34L56MA11M54</TripartyAgent>
<AgentLender>549300RM34L56MA11M54</AgentLender>

<UniqueTransactionIdentifier>E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234</UniqueTransactionIdentifier>
<TypeOfSFT>SBSC</TypeOfSFT>
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<MaturityDate>2018-04-27</MaturityDate>
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<FloatingRate>RFRE</FloatingRate>
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<PrincipalAmountCurrency>EUR</PrincipalAmountCurrency>
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<BaseProduct>METL</BaseProduct>
<SubProduct>PRME</SubProduct>
<FurtherSubProduct>GOLD</FurtherSubProduct>

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            <UnitOfMeasue>KILO</UnitOfMeasue>
            <CurrencyOfNominalAmount>GBP</CurrencyOfNominalAmount>
            <FixedRebateRate>0.611232</FixedRebateRate>
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            <LendingFee>0.0217</LendingFee>

      <IdentificationOfSecurityUsedAsCollateral>DE0001102317</IdentificationOfSecurityUsed
AsCollateral>

      <CollateralQuantityOrNominalAmount>10000000.00</CollateralQuantityOrNominalAmo
unt>
      </Transaction>

</UTI_Exchange>
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CSV file example

	A	B	C
1	ReportingCounterparty	BranchOfTheReportingCounterparty	BranchOfTheOtherCounterparty
2	7LTWFZYICNSX8D621K86	DE	GB
3	MP6I5ZYZBEU3UXPYFY54		
4	549300KM1L458YNTN211		
5	MP6I5ZYZBEU3UXPYFY54		
6	7LTWFZYICNSX8D621K86	DE	GB

D	E	F
CounterpartySide	OtherCounterparty	CountryOfTheOtherCounterparty
GIVE	529900SEOICVR2VM6Y05	GB
GIVE	DL6FFRRLF74S01HE2M14	GB
GIVE	AL61GG34LM12CV28I911	GB
GIVE	DL6FFRRLF74S01HE2M14	GB
GIVE	529900SEOICVR2VM6Y05	GB

G	H	I
UniqueTransactionIdentifier	TypeOfSFT	ExecutionTimestamp
E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234	REPO	2018-04-19T10:55:30Z
E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234	REPO	2020-04-20T10:55:30Z
E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234	REPO	2020-04-17T10:55:30Z
E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234	SBSC	2020-04-20T10:55:30Z
E02MP6I5ZYZBEU3UXPYFY54DM23L45DME01234	SBSC	2018-04-19T10:55:30.123456Z

J	K	L
ValueDate	MaturityDate	FixedRate
20/04/2018	27/04/2018	-0.61
21/04/2020	28/04/2020	
21/04/2020	28/04/2020	-0.61
21/04/2020	28/04/2020	
20/04/2018	27/04/2018	-0.61

M	N	O
PrincipalAmountOnValueDate	PrincipalAmountCurrency	IdentificationOfSecurityUsedAsCollateral
10162756.9	EUR	DE0001102317
10162756.9	EUR	DE0001102317
10162756.9	EUR	DE0001102317
10213826.03	EUR	DE0001102317
10162756.9	EUR	DE0001102317

P	Q	R
CollateralQuantityOrNominalAmount	FloatingRate	AgentLender
10000000		
10000000	EONA	
10000000		549300RM34L56MA11M54
10000000		
10000000	RFRE	549300RM34L56MA11M54

S	T	U
ShellQuantity	ShellTradeID	TripartyAgent
DE02MP6I000SHELL000QUANTITY0001234	DE02MP6I000SHELL000ID0001234	549300RM34L56MA11M54

V	W	X
SecurityIdentifier	BaseProduct	SubProduct
DE0001102317	METL	PRME

Y	Z	AA
FurtherSubProduct	QuantityOrNominalAmount	UnitOfMeasue
GOLD	10000000	KILO

AB	AC	AD
CurrencyOfNominalAmount	FixedRebateRate	FloatingRebateRate
GBP	0.611232	SWAP

AE
LendingFee
0.0217

Shared data fields' specifications

Note that this table includes fields for commodity repos and securities and commodities lending as well as repo against securities.

SFTR RTS/ITS field cardinality & SFT application	applicable SFT	SFTR RTS/ITS table & field numbers	SFTR RTS/ITS field name	SFTR RTS/ITS field description	SFTR RTS/ITS field format
mandatory	REPO, SBSC, SLEB	1.3	Reporting Counterparty	Unique code identifying the reporting counterparty.	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.
mandatory	SLEB only	1.7	Branch of the Reporting Counterparty	Where the reporting counterparty concludes an SFT through a branch office, the code identifying the branch.	ISO 3166-1 alpha-2 country code 2 alphabetic characters.
mandatory	SLEB only	1.8	Branch of the Other Counterparty	Where the other counterparty concludes an SFT through a branch office, the code identifying the branch.	ISO 3166-1 alpha-2 country code 2 alphabetic characters.
mandatory	REPO, SBSC, SLEB	1.9	Counterparty Side	Indication of whether the reporting counterparty is a collateral provider or a collateral taker in accordance with the Article 4 of the the Commission Implementing Regulation (EU) 2019/363	'TAKE' - Collateral taker 'GIVE' - Collateral provider
mandatory	REPO, SBSC, SLEB	1.11	Other Counterparty	Unique code identifying the entity with which the reporting counterparty concluded the SFT. In case of a private individual, a client code shall be specified in a consistent manner.	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code. Client code (up to 50 alphanumeric characters).
mandatory	SLEB only	1.12	Country of the Other Counterparty	Code of country where the registered office of the other counterparty is located or code of the country of residence in case that the other counterparty is a natural person.	ISO 3166-1 alpha-2 country code 2 alphabetic characters.
agent lending	REPO, SBSC, SLEB	1.14	Triparty Agent [B]	Unique code identifying the third party to which the reporting counterparty has outsourced the post-trade processing of an SFT (if applicable).	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.
agent lending	REPO, SBSC, SLEB	1.18	Agent Lender	Unique code of the agent lender involved in the securities lending transaction.	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.
mandatory	REPO, SBSC, SLEB	2.1	Unique Transaction Identifier (UTI)	Unique reference assigned to the SFT in order to identify the trade.	Up to 52 alphanumeric character code including four special characters: Only upper-case alphabetic characters A–Z and the digits 0–9, inclusive in both cases, are allowed.
mandatory	REPO, SBSC, SLEB	2.4	Type of SFT	Type of SFT transaction as defined in paragraphs (7) to (10) of Article 3 of Regulation (EU) No 2365/2015.	'SLEB' - securities or commodities lending or securities or commodities borrowing 'SBSC' - buy-sell back

					transaction or sell-buy back transaction 'REPO' - repurchase transaction 'MGLD' - margin lending transaction
mandatory	REPO, SBSC, SLEB	2.12	Execution Timestamp	Date and time when the SFT was executed.	ISO 8601 date in the format and Coordinated Universal Time (UTC) time format, i.e. YYYY-MM-DDThh:mm:ssZ
mandatory	REPO, SBSC, SLEB	2.13	Value Date (Start Date)	Date contractually agreed between the counterparties for the exchange of cash, securities, or commodities versus collateral for the opening leg (spot leg) of the SFT.	ISO 8601 date in the format YYYY-MM-DD
mandatory	REPO, SBSC, SLEB	2.14	Maturity Date (End Dte)	Date contractually agreed between the counterparties for the exchange of cash, securities, or commodities versus collateral for the closing leg (forward leg) of the SFT. This information shall not be reported for open term repos.	ISO 8601 date in the format YYYY-MM-DD
optional	REPO, SBSC, SLEB	2.23	Fixed Rate [B]	In the case of repos, the annualised interest rate on the principal amount of the repurchase transaction in accordance with the day count conventions. In the case of margin lending, the annualised interest rate on the loan value that the borrower pays to the lender.	Up to 11 numeric characters including up to 10 decimals expressed as percentage where 100% is represented as "100". The decimal mark is not counted as a numeric character. If populated, it shall be represented with a dot.
optional	REPO, SBSC, SLEB	2.25	Floating Rate [B]	Indication of the reference interest rate used which is reset at predetermined intervals by reference to a market reference rate, if applicable.	The code representing a list of floating-rate indexes as specified by ESMA: 'EONA' – EONIA, 'EONS' – EONIA SWAP, 'EURI' – EURIBOR, 'EUUS' – EURODOLLAR, 'EUCH' – EuroSwiss, 'GCFR' – GCF REPO, 'ISDA' – ISDAFIX, 'LIBI' – LIBID, 'LIBO' – LIBOR, 'MAAA' – Muni AAA, 'PFAN' – Pfandbriefe, 'TIBO' – TIBOR, 'STBO' – STIBOR, 'BBSW' – BBSW, 'JIBA' – JIBAR, 'BUBO' – BUBOR, 'CDOR' – CDOR, 'CIBO' – CIBOR, 'MOSP' – MOSPRIM, 'NIBO' – NIBOR, 'PRBO' – PRIBOR, 'TLBO' – TELBOR, 'WIBO' – WIBOR, 'TREA' – Treasury, 'SWAP' – SWAP, 'FUSW' – Future SWAP. The code representing an additional list of floating-rate indexes as specified by ICMA: 'AONA' - Australian Overnight Index Average (AONIA), 'BGCR' - Broad General Collateral Rate, 'CORR' - CORRA Canadian Overnight Repo Rate Average, 'EFFR' - Effective Fed Funds Rate, 'ESTR' - Euro Short Term Rate, 'OBFR' - Overnight Broad

					Funding Rate, 'RFRE' - RepoFunds Rate Euro, 'RFRD' - RepoFunds Rate Germany, 'RFRF' - RepoFunds Rate France, 'RFRI' - RepoFunds Rate Italy, 'RFRS' - RepoFunds Rate Spain, 'RFRN' - RepoFunds Rate Netherlands, 'RFRB' - RepoFunds Rate Belgium, 'RFRU' - Sterling RepoFunds Rate, 'RONA' - RONIA, 'SARO' - SARON, 'SOFR' - SOFR, 'SONA' - SONIA, 'SORA' - Singapore Overnight Rate Average, 'GCPO' - STOXX GC Pooling EUR ON, 'GPEO' - STOXX GC Pooling EUR Extended ON, 'GCPT' - STOXX GC Pooling EUR TN, 'GPET' - STOXX GC Pooling EUR Extended TN, 'GCSN' - STOXX GC Pooling EUR SN, 'GPSN' - STOXX GC Pooling EUR Extended SN, 'GCFR' - STOXX GC Pooling EUR Funding Rate, 'GCDR' - STOXX GC Pooling EUR Deferred Funding Rate, 'GC1W' - STOXX GC Pooling EUR 1 Week, 'GC2W' - STOXX GC Pooling EUR 2 Weeks, 'GC2M' - STOXX GC Pooling EUR 1 Month, 'GC3M' - STOXX GC Pooling EUR 3 Months, 'GC6M' - STOXX GC Pooling EUR 6 Months, 'GC9M' - STOXX GC Pooling EUR 9 Months, 'GC12' - STOXX GC Pooling EUR 12 Months, 'TPGR' - Tri-Party General Collateral Rate, 'TOIS' - TOIS, 'TONA' - TONAR Or up to 25 alphanumeric characters if the reference rate is not included in the above lists.
optional	REPO, SBSC, SLEB	2.37	Principal Amount on Value Date	Cash value to be settled as of the value date of the transaction.	Up to 18 numeric characters including up to 5 decimals. The decimal mark is not counted as a numeric character. If populated, it shall be represented with a dot.
optional	REPO, SBSC, SLEB	2.39	Principal Amount Currency [B]	Currency of the principal amount.	ISO 4217 Currency Code, 3 alphabetic characters.
optional	SLEB only	2.41	Security Identifier	Identification of the security that is the subject of the SFT. This field is not applicable for commodities.	ISO 6166 ISIN 12 character alphanumeric code.
optional	commodities	2.43	Base Product	Base product as specified in the classification of commodities in Table 5 of Annex I of the Implementing Regulation (EU) 2019/363.	Only values in the 'Base product' column of the classification of commodities derivatives table are allowed.
optional	commodities	2.44	Sub-Product	Sub - Product as specified in the classification of commodities in Table 5 of Annex I of the Implementing Regulation (EU) 2019/363. This field requires a specific base product in field 43.	Only values in the 'Sub - product' column of the classification of commodities derivatives table are allowed are allowed.

optional	commodities	2.45	Further Sub-Product	Further sub product as specified in the classification of commodities table. This field requires a specific sub product in field 44.	Only values in the 'Further sub - product' of the classification of commodities derivatives table are allowed.
mandatory	SLEB	2.46	Quantity or Nominal Amount	Quantity or nominal amount of the security or commodity subject of the SFT. In the case of a bond, the total nominal amount which means the number of bonds multiplied by their face value. In the case of other securities or commodities, their quantity.	Up to 18 numeric characters including up to 5 decimals. The decimal mark is not counted as a numeric character. If populated, it shall be represented with a dot.
optional	commodities	2.47	Unit of Measure	Unit of measure in which the quantity is expressed. This field is applicable to commodities.	KILO' - Kilogram, 'PIEC' - Piece, 'TONS' - Ton, 'METR' - Metre, 'INCH' - Inch, 'YARD' - Yard, 'GBGA' - GBGallon, 'GRAM' - Gram, 'CMET' - Centimetre, 'SMET' - SquareMetre, 'FOOT' - Foot, 'MILE' - Mile, 'SQIN' - SquareInch, 'SQFO' - SquareFoot, 'SQMI' - SquareMile, 'GBOU' - GBOunce, 'USOU' - USOunce, 'GBPI' - GBPint, 'USPI' - USPint, 'GBQA' - GBQuart, 'USQA' - USQuart, 'USGA' - USGallon, 'MMET' - Millimetre, 'KMET' - Kilometre, 'SQYA' - SquareYard, 'ACRE' - Acre, 'ARES' - Are, 'SMIL' - SquareMillimetre, 'SCMT' - SquareCentimetre, 'HECT' - Hectare, 'SQKI' - SquareKilometre, 'MILI' - MilliLitre, 'CELI' - Centilitre, 'LITR' - Litre, 'PUND' - Pound, 'ALOW' - Allowances, 'ACCY' - AmountOfCurrency, 'BARL' - Barrels, 'BCUF' - BillionCubicFeet, 'BDFT' - BoardFeet, 'BUSL' - Bushels, 'CEER' - CertifiedEmissionsReduction, 'CLRT' - ClimateReserveTonnes, 'CBME' - CubicMeters, 'DAYS' - Days, 'DMET' - DryMetricTons, 'ENVC' - EnvironmentalCredit, 'ENVO' - EnvironmentalOffset, 'HUWG' - Hundredweight, 'KWDC' - KilowattDayCapacity, 'KWHO' - KilowattHours, 'KWHC' - KilowattHoursCapacity, 'KMOC' - KilowattMinuteCapacity, 'KWMC' - KilowattMonthCapacity, 'KWYC' - KilowattYearCapacity, 'MWDC' - MegawattDayCapacity, 'MWHO' - MegawattHours, 'MWHC' - MegawattHoursCapacity, 'MWMC' - MegawattMinuteCapacity, 'MMOC' - MegawattMonthCapacity, 'MWYC' -

					MegawattYearCapacity, 'TONE' - MetricTons, 'MIBA' - MillionBarrels, 'MBTU' - OneMillionBTU, 'OZTR' - TroyOunces, 'UCWT' - USHundredweight, 'IPNT' - IndexPoint, 'PWRD' - PrincipalWithRelationToDebtInstrument, 'DGEU' - DieselGallonEquivalent, 'GGEU' - GasolineGallonEquivalent, 'TOCD' - TonsOfCarbonDioxide.
optional	SLEB only	2.48	Currency of Nominal Amount	In the case where the nominal amount is reported, the currency of the nominal amount.	ISO 4217 Currency Code, 3 alphabetic characters.
mandatory	SBSC only	2.49	Security or Commodity Price	Up to 18 numeric characters including up to 5 decimals in case the price is expressed units. Up to 11 numeric characters including up to 10 decimals in case the price is expressed as percentage or yield. The decimal mark is not counted as a numeric character. If populated, it shall be represented with a dot.	When populated, this field shall contain up to 18 numeric characters including up to 5 decimals or up to 11 numeric characters including up to 10 decimals The decimal mark is not counted as a numeric character. If populated, it shall be represented with a dot. The negative symbol, if populated, shall not be counted as a numerical character.
optional	SLEB only	2.58	Fixed Rebate Rate	Fixed interest rate (rate agreed to be paid by the lender for the reinvestment of the cash collateral minus any lending fee) paid by the lender of the security or commodity to the borrower (positive rebate rate) or by the borrower to the lender (negative rebate rate) on the balance of the provided cash collateral.	Up to 11 numeric characters including up to 10 decimals expressed as percentage where 100% is represented as "100". The negative symbol, if populated, shall not be counted as a numerical character.
optional	SLEB only	2.59	Floating Rebate Rate	Indication of the reference interest rate used to calculate the rebate rate (rate agreed to be paid by the lender for the reinvestment of the cash collateral minus any lending fee) paid by the lender of the security or commodity to the borrower (positive rebate rate) or by the borrower to the lender (negative rebate rate) on the balance of the provided cash collateral.	The code representing the floating rate index, specified by ESMA and ICMA: 'EONA' – EONIA, 'EONS' – EONIA SWAP, 'EURI' – EURIBOR, 'EUUS' – EURODOLLAR, 'EUCH' – EuroSwiss, 'GCFR' – GCF REPO, 'ISDA' – ISDAFIX, 'LIBI' – LIBID, 'LIBO' – LIBOR, 'MAAA' – Muni AAA, 'PFAN' – Pfandbriefe, 'TIBO' – TIBOR, 'STBO' – STIBOR, 'BBSW' – BBSW, 'JIBA' – JIBAR, 'BUBO' – BUBOR, 'CDOR' – CDOR, 'CIBO' – CIBOR, 'MOSP' – MOSPRIM, 'NIBO' – NIBOR, 'PRBO' – PRIBOR, 'TLBO' – TELBOR, 'WIBO' – WIBOR, 'TREA' – Treasury, 'SWAP' – SWAP, 'FUSW' – Future SWAP. 'AONA' - Australian Overnight Index Average (AONIA), 'BGCR' - Broad General Collateral Rate, 'CORR' - CORRA Canadian Overnight Repo Rate Average, 'EFFR' - Effective Fed Funds Rate, 'ESTR' - Euro Short Term

					Rate, 'OBFR' - Overnight Broad Funding Rate, 'RFRE' - RepoFunds Rate Euro, 'RFRD' - RepoFunds Rate Germany, 'RFRF' - RepoFunds Rate France, 'RFRI' - RepoFunds Rate Italy, 'RFRS' - RepoFunds Rate Spain, 'RFRN' - RepoFunds Rate Netherlands, 'RFRB' - RepoFunds Rate Belgium, 'RFRU' - Sterling RepoFunds Rate, 'RONA' - RONIA, 'SARO' - SARON, 'SOFR' - SOFR, 'SONA' - SONIA, 'SORA' - Singapore Overnight Rate Average, 'GCPO' - STOXX GC Pooling EUR ON, 'GPEO' - STOXX GC Pooling EUR Extended ON, 'GCPT' - STOXX GC Pooling EUR TN, 'GPET' - STOXX GC Pooling EUR Extended TN, 'GCSN' - STOXX GC Pooling EUR SN, 'GPSN' - STOXX GC Pooling EUR Extended SN, 'GCFR' - STOXX GC Pooling EUR Funding Rate, 'GCDR' - STOXX GC Pooling EUR Deferred Funding Rate, 'GC1W' - STOXX GC Pooling EUR 1 Week, 'GC2W' - STOXX GC Pooling EUR 2 Weeks, 'GC2M' - STOXX GC Pooling EUR 1 Month, 'GC3M' - STOXX GC Pooling EUR 3 Months, 'GC6M' - STOXX GC Pooling EUR 6 Months, 'GC9M' - STOXX GC Pooling EUR 9 Months, 'GC12' - STOXX GC Pooling EUR 12 Months, 'TPGR' - Tri-Party General Collateral Rate, 'TOIS' - TOIS, 'TONA' - TONAR Or up to 25 alphanumeric characters if the reference rate is not included in the above list
optional	SLEB only	2.67	Lending Fee	Fee that the borrower of the security or commodity pays to the lender.	Up to 11 numeric characters including up to 10 decimals expressed as percentage where 100% is represented as “100”.
optional	REPO, SBSC, SLEB	2.78	Identification of a Security Used as Collateral	Identification of the security used as collateral. This field is not applicable to commodities.	ISO 6166 ISIN 12 character alphanumeric code.
optional	REPO, SBSC, SLEB	2.83	Collateral Quantity or Nominal Amount	Quantity or nominal amount of the security or commodity used as collateral. In the case of a bond, the total nominal amount which means the number of bonds multiplied by the face value. In the case of other securities or commodities, their quantity.	Up to 18 numeric characters including up to 5 decimals. The decimal mark is not counted as a numeric character. If populated, it shall be represented with a dot.
agent lending	SLEB only	-	Shell Quantity (repeated)	Included to help operations identify the trade.	No ESMA field - Up to 52 alphanumeric characters; Only capitalized alphabetic characters A–Z and the digits 0–9, inclusive in both cases, are allowed.

agent lending	SLEB only	-	Shell Trade ID (repeated)	Internal Trade reference of the repoeting counterparty (used for operational referencing)	No ESMA field - Up to 52 alphanumeric characters; Only capitalized alphabetic characters A–Z and the digits 0–9, inclusive in both cases, are allowed.

Annex VI: Trading Venues for repo

The repo trading platforms of the entities in this list have been authorized under MiFID (at the time of publication) as Regulated Markets, Multilateral Trading Facilities (MTF) or Organized Trading Facilities (OTF).

This list is not comprehensive and its accuracy cannot be guaranteed but it is believed to be correct. Trading Venues not on the list are invited to join by sending their relevant details to richard.comotto@icmagroup.org.

Note that Bloomberg MTF does not include Bloomberg VCON or use of Bloomberg screens RRRA, BSR, etc.

	operating MIC	segment MIC	LEI	jurisdiction	legal name
Bloomberg MTF	BMTF	BMTF	549300ROEJDDAXM6LU05	UK	Bloomberg Trading Facility Ltd
BrokerTec EU	BTAM	BTAM	2138004TYNQCB7MLTG76	NL	BrokerTec Europe Ltd
BrokerTec Quote EU	BTAM	BTQE	2138004TYNQCB7MLTG76	NL	BrokerTec Europe Ltd
BrokerTec Quote UK	BTEE	BTQG	2138002GI1GKI3V4UG48	UK	CME Amsterdam BV
BrokerTec UK	BTEE	BTEE	2138002GI1GKI3V4UG48	UK	CME Amsterdam BV
BrokerTec US	none	none	213800U91OWU6L9YIT33	US	BrokerTec Americas LLC
EquiLend Europe Ltd - EquiLend NGT	EQLD	EQLD	213800BUOJTE71MBB36	UK	EquiLend Europe Ltd
EquiLend Ltd - EquiLend NGT	EQIE	EQIE	213800MQRAFTKJ551M22	IE	EquiLend Ltd
Eurex Repo (all CCP-cleared including EGCP)	ECAG	XERE	529900LN3S50JPU47S06	DE	Eurex Clearing AG
Eurex Repo e-TriParty	XEUP	XERT	529900QA7T9JLRFVNN10	DE	Eurex Repo GmbH
GLMX	GLMX	GLMX	254900ASG2SHGJG66W93	US	GLMX Technologies LLC
MTS BondVision EU MTF	MTSO	SSOB	213800ZMKPUV1VKLCT69	EU	MTS SpA
MTS BondVision UK MTF	XMTS	BVUK	213800OOANOWGT2KW8O63	UK	MTS SpA
MTS Italy	MTSO	MTSC	213800ZMKPUV1VKLCT69	IT	MTS SpA
SENAF	XNAF	XNAF	95980096HCV0D0TYCR12	ES	Renta Fija SAU
SIX Repo - CH Repo Market	ROSR	XREP	549300US7CXLXPE4NY48	CH	SIX Repo AG
Tradeweb EU BV - MTF	TWEU	TWEM	724500D4BFEWKWVC1G62	NL	Tradeweb EU BV
Tradeweb Europe	TREU	TREU	2138001WXZQOPMPA3D50	UK	Tradeweb Europe Ltd
Tradweb LLC	TRWB	TRWB	5493009DYKOCXWBRC524	US	Tradeweb LLC
TP ICAP EU - MTF	TPIC	TPIR	213800R54EFFINMY1P02	FR	TP ICAP (Europe) SA
tpREPO	TPSL	TSMR	549300BMVW85YF9FGN67	UK	Tullett Prebon (Securities) Ltd
Tullett Prebon Europe - MTF - Repos	TPEL	TEMR	549300MU2MYJLOY6IJ51	UK	Tullett Prebon (Europe) Ltd
Tullett Prebon Securities - MTF - Repos	TPSL	TSMR	549300BMVW85YF9FGN67	UK	Tullett Prebon (Securities) Ltd

Annex VII: Repo voice-brokers who are not Trading Venues

The repo voice-broking operations of the entities in this list have not been authorized under MiFID (at the time of publication) as Regulated Markets, Multilateral Trading Facilities (MTF) or Organized Trading Facilities (OTF).

This list is not comprehensive and its accuracy cannot be guaranteed but it is believed to be correct. Parties with voice-broking operations not on the list are invited to join by sending their relevant details to richard.comotto@icmagroup.org.

legal name	LEI	jurisdiction
Aurel BGC SA	5RJTDGZG4559ESIYLD31	FR
BGC Brokers LP	ZWNFQ48RUL8VJZ2AIC12	UK
BGC Financial Inc	549300NP4MIDUNET0550	US
CIMD SV	529900MLKOEV3XDRCP63	ES
CM Capital Markets Brokerage SA, Agencia de Valores	213800MDEXILA5OUWS43	ES
GFI Securities Ltd	GUNTJCA81C7IHNBGI392	UK
GFI Brokers Ltd	5493007S6O0HR48ATX36	UK
INTL FCStone Europe SA	5493009FOGEUTR4HFR55	LU
Kyte Broking Ltd	1ZU7M6R6N6PXYJ6V0C83	UK
OTCEx SA (HPC)	969500AMLHB21RACL168	FR
RP Martin Brokers Group Ltd	ZWNFQ48RUL8VJZ2AIC12	UK

Annex VIII: Publication dates for SFT master agreements

The table sets out what are believed to be the official publication dates of various SFT master agreement.

Master Agreement Type	SFTR code	official dates of publication	comments
Global Master Repurchase Agreement (ICMA)	GMRA	1992, 1995, 2000, 2011	
Global Master Securities Lending Agreement (ISLA)	GMSL	2000, 2010, 2018	2018 GMSLA is for pledge structures only
Master Repurchase Agreement (SIFMA)	MRAA	1984, 1998, 2000	
Master Securities Lending Agreement (SIFMA)	MSLA	1993, 2000	
Japanese Master Agreement on the Transaction with Repurchase Agreement of the Bonds (JSDA)	JPBR	2001	Revised in 2016
European Master Agreement (EBF)	OTHR	2001, 2004, 2020	
Gilt-Edged Securities Lending Agreement (GESLA)	GESL	1996	Issued in December 1995 but applicable from April 1996
Master Equity and Fixed Income Securities Lending Agreement (MEFISLA)	MEFI	1996	
Overseas Securities Lending Agreement (OSLA)	OSLA	1994, 1995	
ISDA Master Agreement	ISDA	1992, 2002	

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Dreikönigstrasse 8
CH-8002 Zurich

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75008 Paris

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