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Additional Information

Level 1 Regulation
Securities Financing Transactions Regulation (SFTR) Regulation (EU) 2015/2365- MDP

Topic
Portfolio management

Subject Matter
Reporting of SFTs where an external portfolio manager participates

Question
a) How should a portfolio manager be identified in a SFT report, i.e. an entity to which the execution of a part of the investment strategy of a counterparty is delegated?
b) How should the amount of estimated reuse of collateral or the reinvested cash be calculated where a financial counterparty or the entity responsible for its reporting uses several entities to conclude SFTs, to manage the collateral thereof and to report?

c) How should the collateral components pertaining to variation margining on a net exposure basis be reported when a financial counterparty or the entity responsible for its reporting uses more than one portfolio manager or a triparty provider for the SFTs in the same netting set and it delegates the reporting?

ESMA Answer

23-03-2021

Original language

[ESMA74-362-893 SFTR Q&A 9]

a) Where that entity performs, de jure or de facto, one of the roles identified in the counterparty data of a SFT report, such as broker or agent lender, it should be included in the relevant field. Otherwise that entity should not be identified.

b) As indicated in paragraph 62 of the ESMA SFTR Reporting Guidelines, in case of delegation of reporting, it is the responsibility of the counterparty to the SFT (or the entity responsible for reporting thereof) to provide to the report submitting entity all the relevant div pertaining to an SFT report. Prior to the reporting to a TR, as pointed out in paragraph 401 of the ESMA SFTR Reporting Guidelines, the counterparty to the SFT (or the entity responsible for reporting thereof) should perform the relevant calculations itself or it should provide the relevant SFT div to the entity to which it delegated the calculations. The counterparty or entity responsible for reporting should calculate the estimated reuse of collateral (field 4.9) or the reinvested cash (4.13) for each and every collateral component and across all the SFTs concluded. Where the counterparty or the entity responsible for reporting has delegated the reporting, it should provide the estimate(s) to the report submitting entity.

Example: Counterparty A (financial counterparty) appoints three portfolio managers to manage different segments of a portfolio (also known as sleeves) of assets and their custodian to act as an agent lender. An agreement for delegation of SFTR reporting exists with each one for the transactions they manage.

Each of the above undertakes transactions involving ISIN X, as follows:

- Portfolio Manager 1

- invests in €2,000,000 of the instrument
- executes a reverse repo against €1,500,000 of the instrument
- executes a repo using €1,000,000 of the instrument

- Portfolio Manager 2

- executes a reverse repo against €500,000 of the instrument
- executes a repo using €250,000 of the instrument

- Portfolio Manager 3

- invests in €1,000,000 of the instrument

- Agent lender 1:

- lends €1,000,000 of the instrument

Financial situation at the reporting counterparty

- ○ Own assets = $2{,}000{,}000^{IM1} + 1{,}000{,}000^{IM3} = 3{,}000{,}000$
- ○ Held as collateral (eligible for reuse) = $1{,}500{,}000^{IM1} + 500{,}000^{IM2} = 2{,}000{,}000$
- ○ Posted as collateral = $1{,}000{,}000^{IM1} + 250{,}000^{IM2} = 1{,}250{,}000$
- ○ Loaned out = $1{,}000{,}000^{AL1}$

Expected values to be reported for the ISIN X and the reporting counterparty

- Estimated reuse:  = **900,000**

It is up to the reporting counterparty or entity responsible for reporting to decide which of the three entities should send that report.

c) Similarly to point b, prior to the reporting to a TR, the counterparty to an SFT or the entity responsible for reporting either should perform the relevant calculations itself or it should provide the relevant SFT div to the entity to which it delegated the calculations. Where the counterparty or the entity responsible for reporting has delegated the reporting, it should provide the relevant div to the report submitting entity.