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Additional Information

Level 1 Regulation
Undertakings for Collective Investment in Transferable Securities Directive (UCITS) Directive 2009/65/EC

Topic
UCITS global exposure

Subject Matter
Impact of SFTR on UCITS - Periodic reporting under Article 13 of SFTR for UCITS and AIFs

Question
Pursuant to Article 13 of SFTR, UCITS management companies, UCITS investment companies, and AIFMs (“UCITS/AIF managers”) shall inform investors on the use they make of SFTs and total return swaps in annual (UCITS and AIFs) and half-yearly (UCITS only) reports. The information on SFTs and total return swaps shall include the data provided for in Section A of the Annex to SFTR.

Should this data be reported as aggregate data (with respect to the whole of the reporting period) or based on a snapshot (taken at the end of the reporting period)?

ESMA Answer

05-10-2017

Original language

[ESMA 34-43-392 UCITS Q&A, section 7, Q&A 2a]

The table below explains how each data item in Section A of the Annex to the SFTR should be reported. All data items should be reported as a snapshot, with the exception of the following:

- Data on reuse of collateral
  - Cash collateral reinvestment returns to the collective investment undertaking.
- Data on return and cost for each type of SFTs and total return swaps
  - broken down between the collective investment undertaking, the manager of the collective investment undertaking and third parties (e.g. agent lender) in absolute terms and as a percentage of overall returns generated by that type of SFTs and total return swaps

For each of the data items firms should not artificially alter their practices in a way that would lead to the reporting being misleading.

The guidance provided by this Q&A is without prejudice to further work that ESMA intends to carry out in relation to the disclosure obligations for UCITS and AIFs under SFTR.

Heading	Sub-item	How to report
Global data	The amount of securities and commodities on loan as a proportion of total lendable assets defined as excluding cash and cash equivalents	Snapshot

	The amount of assets engaged in each type of SFTs and total return swaps expressed as an absolute amount (in the collective investment undertaking's currency) and as a proportion of the collective investment undertaking's assets under management (AUM).	Snapshot
Concentration data	Ten largest collateral issuers across all SFTs and total return swaps (break down of volumes of the collateral securities and commodities received per issuer's name);	Snapshot
	Top 10 counterparties of each type of SFTs and total return swaps separately (Name of counterparty and gross volume of outstanding transactions).	Snapshot
Aggregate transaction data for each type of SFTs and total return swaps separately to be broken down according to the below categories	Type and quality of collateral;	Snapshot

	Maturity tenor of the collateral broken down in the following maturity buckets: less than one day, one day to one week, one week to one month, one to three months, three months to one year, above one year, open maturity;	Snapshot. All outstanding/existing collateral at the end of the reporting period should be aggregated according to their maturity tenor. That aggregation should be broken down in the mentioned maturity buckets.
	Currency of the collateral;	Snapshot. Currency of the existing collateral at the end of the reporting period.
	Maturity tenor of the SFTs and total return swaps broken down in the following maturity buckets: less than one day, one day to one week, one week to one month, one to three months, three months to one year, above one year, open transactions;	Snapshot. All outstanding/existing SFTs at the end of the reporting period should be aggregated according to their maturity tenor. That aggregation should be broken down in the mentioned maturity buckets.
	Country in which the counterparties are established;	Snapshot. Country where the counterparties of existing SFTs as of the end of the reporting period are established.
	Settlement and clearing (e.g., tri-party, Central Counterparty, bilateral).	Snapshot

Data on reuse of collateral	Share of collateral received that is reused, compared to the maximum amount specified in the prospectus or in the disclosure to investors;	Snapshot
	Cash collateral reinvestment returns to the collective investment undertaking.	See explanation below table
Safekeeping of collateral received by the collective investment undertaking as part of SFTs and total return swaps	Number and names of custodians and the amount of collateral assets safe-kept by each of the custodians	Snapshot
Safekeeping of collateral granted by the collective investment undertaking as part of SFTs and total return swaps	The proportion of collateral held in segregated accounts or in pooled accounts, or in any other accounts	Snapshot

Data on return and cost for each type of SFTs and total return swaps	broken down between the collective investment undertaking, the manager of the collective investment undertaking and third parties (e.g. agent lender) in absolute terms and as a percentage of overall returns generated by that type of SFTs and total return swaps	See explanation below table

Regarding the field “Cash collateral reinvestment returns to the collective investment undertaking”, during the year the fund receives a certain amount of cash as collateral for SFTs which is invested and produces a return. All SFTs have a given duration (normally short term) and there may be several SFTs that are carried out on a number of occasions with repeated investments and divestments of cash. Due to the possible concatenation of the operations, there may be a certain amount of cash collateral which is constantly invested for the whole year and produces a return. One interpretation is that the SFTR requires managers to disclose at least the overall sum of the returns earned by the fund from all the investment operations made during the year with cash collateral. This sum may only be an income flow that covers the whole year and therefore the distinction between aggregate vs snapshot (i.e. flow vs stock data) is not meaningful, because it could be calculated in only one way. One alternative would be to state that this is “aggregate” by definition. Another alternative would be to require the disclosure of the cash collateral investment return, calculated as the sum of the cash flows received for the investment of SFTs cash collateral over the yearly average amount of cash collateral investments.

The same reasoning applies to the field “Data on return and cost for each type of SFTs and total return swaps/broken down between the collective investment undertaking, the manager of the collective investment undertaking and third parties (e.g. agent lender) in absolute terms and as a percentage of overall returns generated by that type of SFTs and total return swaps”. The manager has to sum the inflows and outflows generated by all the operations during the year and disclose the two total amounts; again, there appears to be only one way to calculate the data required and the disclosure of rate of returns (gross and net of cost)

could be required if deemed more appropriate.