



22 April 2016

ESMA
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The Technical Committee 68 (TC68 - Financial Services) of ISO welcomes the opportunity to be able to comment on the consultative report published by ESMA in March 2016 entitled "Discussion paper on draft RTS and ITS under the Securities Financing Transaction Regulation". ESMA/2016/356

ISO/TC68 had established the Standard Advisory Group (SAG-TC 68/AG 2), which mandate is to engage with regulators on financial services standards requirements, for the use and development of financial services standards. The answer to this consultation has therefore been made by the SAG. We also invite you to not hesitate to liaise with the SAG for any consultation you might need related to ISO Financial Services standards.

In its reply, the SAG would like to concentrate its comments to the parts that address the use of standards under the responsibility of ISO/TC68.

Firstly, in relation to questions Q11 and Q12, we welcome the use of open standard message formats for reporting, and support ESMA in its choice of ISO 20022 as a suitable standard for this purpose. There is indeed an ongoing effort, supported by ISO/TC68 and the SAG, to leverage the usage of existing standards such as ISO 20022 beyond transactional purpose, and extend its usage for other purpose like regulatory reporting. In this context, we would like to encourage ESMA to deploy it consistently for similar requirements in the future.

As for the governance process referred to in paragraph 75 (and related question Q12), it is mentioned that the *"the set of requirements for format and content for reporting data [...] should be subject to robust governance from regulatory community"*. We trust that ESMA is well aware of the governance process for ISO 20022 message development and maintenance, but would want at that occasion to re-advertise the possibility for ESMA to take part in the works of the ISO 20022 Securities Standards Evaluation Group (Securities SEG) and its sub-SEG dealing with OTC derivatives (which will have primary responsibility for approving the addition of the messages involved to the ISO 20022 repository). We would encourage this participation, not just for the purposes of evaluating the messages considered under this discussion paper, but also more generally in order to participate in future discussions concerning change requests and new messages that may have been submitted from other stakeholders. ESMA might also consider involvement in the ISO 20022 Registration Management Group, which has responsibility in the first instance for governance of the ISO 20022 standard itself.

We assume in the above that ESMA will be the submitter (or joint submitter) of the messages that are prepared for the purposes of reporting under SFTR, and therefore will be the principal stakeholder for any future maintenance to those messages. We would, however, encourage engagement with other regulators in order to ensure that the messages are also suitable for the equivalent reporting in other jurisdictions.

Secondly, we note it is mentioned in paragraph 200 (to which question Q79 is linked) in relation to sub-funds LEIs, that "...ESMA EMIR General Question 1 indicates that sub-funds, which are not identifiable by LEI, can be typically considered as beneficiaries to the SFT". This wording suggests that sub-funds are not identifiable by LEI ("...sub-funds, which are not identifiable by LEI, can..."). In fact, the response to General Question 1(c) in the EMIR Q&A, from which this is inferred, reads as follows:

"If the derivative contract is concluded at the level of the sub-fund, the counterparty should be the sub-fund and not the umbrella fund. In that case, the sub-fund needs to have a LEI for reporting purposes and be identified as the counterparty."

Although it continues to consider a situation where the umbrella fund might be identified as the counterparty, we believe this anticipates a potential alternative scenario where the contract is concluded at the level of the umbrella.

We would respectfully refer ESMA to the ISO 17442 (LEI) standard, which in fact includes sub-funds explicitly within the definition of an investment fund for which a LEI can be assigned.

Finally, as stated above, we stay at your disposal to address any question or concern you might have related to ISO standards in the field of competence of the ISO/TC68. Such requests should be directed to Christine Jozet, Secretary of the TC68/AG2 SAG (christine.jozet@ecb.europa.eu)

We trust these comments can be taken into consideration and be useful for the progress of your works.

Yours faithfully,

Allie Harris / François Laurent
ISO/TC 68/AG 2 Co-Chairs